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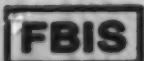
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TAP CHI CONG SAN
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VIETNAM

TAP CHI CONG SAN

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TAP CHI CONG SAN

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BIOGRAPHIC INFORMATION ON OFFICIALS

[Information obtained from Peoples Republic of Kampuchea Phnom Penh Domestic Service radio broadcasts unless otherwise noted. Collected between 1979-1981.]

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TAP CHI CONG SAN

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TAP CHI CONG SAN

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25 JULY 1986

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INTER-ASIAN AFFAIRS

RITHAUDDEN-SITTHI DISCUSS ECONOMIC COOPERATION

BK251405 Kuala Lumpur BERNAMA in English 1144 GMT 26 Jun 86

[Text] Manila, 26 Jun (OANA-BERNAMA)—Thailand and Malaysia have agreed in principle to set up a joint ministerial commission to boost economic cooperation, Malaysian Foreign Minister Tengku Ahmad Rithauddeen said Thursday.

Senior officials from the two countries would meet soon to discuss areas of cooperation that could be promoted between the two neighboring countries, he told BERNAMA after a meeting with his Thai counterpart, Air Chief Marshal Sitthi Sawetsila, here. Both ministers are here to attend the ASEAN post-ministerial conference with dialogue partners.

He said Sitthi had submitted a list of activities that could be undertaken by the proposed commission. He said he would submit them to the Malaysian Prime Minister Dr Mahathir Mohamed.

During the meeting, Tengku Rithauddeen also raised the question of frequent intrusions of Thai fishing vessels into Malaysian territory.

Sitthi told [passage indistinct].

/9738
CSO: 4200/1193

INTER-ASIAN AFFAIRS

ASEAN SUMMIT TO DISCUSS NUCLEAR FREE ZONE ISSUE

HK080713 Manila THE MANILA CHRONICLE in English 5 Jul 86 p 2

[Text] Economic issues will again take the back seat in the ASEAN summit scheduled in Manila next year. Topping the agenda in the ASEAN summit is a declaration making Southeast Asia a nuclear-free zone, revealed Deputy Foreign Minister Jose D. Ingles at yesterday's 'Diplomatic Kapihan' [diplomatic coffeeshop] at the Intercon [Manila Intercontinental Hotel].

"ASEAN senior officials will continue studies for a treaty providing for a nuclear weapons-free zone in the region hopefully to be presented in the Manila summit of 1987," he said.

Ingles noted that while ASEAN was conceived as an economic organization, it is being transformed into political-military organization for self-defense, and may not remain neutral in superpower conflicts, he said. ASEAN's economic success, according to Ingles, "leaves much to be desired."

For example, he said, the Philippine proposal of preferential trading arrangement (tax reductions on certain commodities) was approved only after 10 years of negotiation.

"That is why the ASEAN foreign ministers believe the next summit should devote a major part of the deliberations to intra-ASEAN trade," he said.

The shift in the ASEAN direction, according to Ingles, became apparent since 1976, a year after North Vietnam's communist forces unified the country. That year, the ASEAN heads of state drafted the Bali Declaration calling for military cooperation among member-nations. The position paper, according to Ingles, "did not carry the ASEAN label" to keep its unofficial nature.

Following the victory of Hanoi, the ASEAN ministers congratulated "very carefully" the Vietnamese officials because they did not want to polarize communist and non-communist countries in the region," Ingles said.

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CSO: 4200/1193

INTER-ASIAN AFFAIRS

RITHAUDDEN MEETS ABE ON JAPAN'S ASEAN INVESTMENT

BK260845 Kuala Lumpur International Service in English 0600 GMT 26 Jun 86

[Text] ASEAN will urge Japan to relocate its industries in this region in view of the appreciation of the yen. Malaysian Foreign Minister Tengku Ahmad Rithaudden said he has been told that Japanese firms are finding it hard to sell their products abroad following the steep appreciation of the Japanese currency. As such, they have to relocate their plants in order to remain competitive in the world market. Tengku Rithaudden said this after meeting his Japanese counterpart, Mr Shintaro Abe, in Manila. Mr Abe is in Manila to attend the ASEAN's first ministerial conference with the dialogue countries beginning today.

Tengku Rithaudden said he raised with the Japanese minister the problems faced by ASEAN countries as a result of the strong yen. Mr Abe said Japanese businessmen, who are facing similar problems, [words indistinct] considering to relocate their plants outside Japan so that they could continue to remain competitive.

Tengku Rithaudden, who will lead the ASEAN ministers at today's dialogue, said declining investment in ASEAN is among the topics which will be discussed. Mr Abe assured the Malaysian minister that the Japanese Government will try to further remove discriminatory elements in Japanese import regulations so that ASEAN products will be more competitive in Japan.

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CSO: 4200/1193

25 July 1986

INTER-ASIAN AFFAIRS

HAYDEN MEETS ASEAN MINISTERS ON WORLD TRADE

BK260949 Manila PNA in English 0910 GMT 26 Jun 86

[Text] Manila, 26 Jun (PNA)--Australian Foreign Minister Bill Hayden today called on ASEAN nations to help bring back sanity to world trading order.

Asking the six-nation group to lay off the Kampuchean issue for a while, Hayden urged ASEAN countries to put more efforts in easing the disadvantageous trading experiences shared by Australia, the Philippines, Thailand, Malaysia, Singapore, Indonesia and Brunei. He said in a post-ministerial meeting with ASEAN that Australia is supporting a move to convene a meeting of affected countries to tackle the problem.

Australia had been moving to convene some sort of meeting of similarly affected countries so these issues can be explored and programs could be developed to try to bring back some sanity to the world trading order, he said. He said that the world trading order is being seriously destabilized by nonmarket indirect course intervention in export activity. The Australian foreign minister foresees a continuing bad time for commodity producing countries like the members of ASEAN. Commodity prices are not expected to return to 1980 levels for the rest of the decade.

Citing World Bank forecast, Hayden said that commodity prices are expected to fall by 10 percent over the next three years. He said this expected fall in prices of export commodity prices is the result of export subsidy and disregard of sound economic principles.

He cited the agricultural policy of the European Community (EEC) which has depressed world prices for wheat, coarse grains, sugar and suninant meats. The United States farm bill will deal a serious blow to friends, he said. He also warned that subsidized rice sales to prices below an economic level will seriously affect rice exporting countries like Thailand and Australia.

Speaking for the ASEAN foreign ministers, Philippines Vice President and Foreign Minister Salvador Laurel said the Philippines and other ASEAN nations will spare no effort in maintaining close consultation on matters of mutual concern. The economic prospects of both ASEAN and Australia are inextricably linked to an open international trading system, Laurel added.

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CSO: 4200/1193

INTER-ASIAN AFFAIRS

ASEAN URGES MORE TRADE, INVESTMENT WITH AUSTRALIA

HK261014 Hong Kong AFP in English 1006 GMT 26 Jun 86

[Text] Manila, 26 Jun (AFP)—Foreign ministers of the Association of South-east Asian Nations (ASEAN) Thursday urged greater trade and investment cooperation with Australia and an improvement in the bilateral trade balance. "I am sure we all agree there is room for some improvement" in trade and investment cooperation, Philippine Vice President and Foreign Minister Salvador Laurel said. "With sufficient flexibility and mutual understanding we should be able to ameliorate the imbalance that has been apparent in ASEAN-Australia trade in recent years," Mr Laurel told Australian Foreign Minister Bill Hayden.

He was speaking for the ASEAN foreign ministers in an open session before they were to hold talks with Mr Hayden here Thursday. Mr Laurel also expressed ASEAN's concern that its preferential tariff margins be preserved under the Australian system of tariff preferences. Under a new system which comes into effect 1 July, there will be an across-the-board five percent reduction in margins for developing countries. ASEAN had been worried that this was not high enough.

"The system is good, but we are still not happy about the margin of preference," Singapore Foreign Minister Suppiah Dhanabalan told AGENCE FRANCE-PRESSE after a closed-door meeting between the ASEAN ministers and Mr Hayden. ASEAN hoped to be able to improve the system at a later stage if it did not work, he added. The ministers also discussed a proposed new Australian foreign tax credit system, which ASEAN had been concerned would affect Australian foreign investment in the region.

But delegates said they had been reassured by detailed explanations given during Thursday's meeting. "Some of the clarifications they gave were quite helpful," Mr Dhanabalan said. "They reassure us that this will not negate the kind of incentives that ASEAN gives for foreign investment."

Mr Laurel had said before the closed session that ASEAN and Australia shared a concern to fight protectionism, a keynote concern of a two-day ASEAN foreign ministers meeting earlier this week. In his opening speech, Mr Hayden also noted that ASEAN's share of Australian imports had fallen from 4.3 percent in the early 1970's to a low 2.7 percent in 1984. This was because Australia principally exports agricultural and mineral commodities with low growth rates. ASEAN manufactured imports into the Australian market, meanwhile, had risen sharply.

AUSTRALIA

HAYDEN 'DISAPPOINTED' OVER U.S. AID TO CONTRAS

BK020912 Melbourne Overseas Service in English 0830 GMT 2 Jul 86

[Text] The minister for foreign affairs, Mr Hayden, has expressed disappointment at the U.S. decision to give military aid to the Nicaraguan Contra rebels fighting the Sandinista government. Mr Hayden said in a statement that the aid would only serve to escalate tensions in Central America. The dispute between Nicaragua and the United States would be considered by the UN Security Council this week, he said, but recent events left few grounds for optimism.

Mr Hayden said that the vote in the U.S. House of Representatives last week to approve \$100 million in military aid to the Nicaraguan Contras would do nothing to promote a peaceful settlement nor, he said, was it likely to encourage the Sandinista government in Nicaragua to improve political freedoms or to negotiate with the Contras. Mr Hayden said that the Contadora process represented the most positive prospect for peace in Central America. He said the Contadora countries had shown infinite patience and resilience in negotiating and redrafting the terms of an agreement.

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CSO: 4200/1204

AUSTRALIA

GOVERNMENT REGRETS COMMENTS ON U.S. WHEAT SALE

BK041014 Melbourne Overseas Service in English 0830 GMT 4 Jul 86

[Text] The federal government has expressed regret about comments by the chairman of the Australian Wheat Board, Mr Clynton Condon, on American wheat sales to Sri Lanka. Mr Condon said last week that the sale of 50,000 tons of subsidized wheat to Sri Lanka was another example of shortsighted marketing. He accused the United States of showing the negotiating skill and business acumen of a schoolyard bully by lowering the price of wheat through subsidized export. However, the federal government says there is no evidence that the United States has broken any of its commitment to Australia by making the sale to Sri Lanka to which Australia has been the main commercial supplier of wheat in recent years.

The primary industry minister, Mr Kerin, said it was not helpful to make alarmist comments about such matters while Australia and other countries are making efforts to end the practice of subsidized agricultural exports by the United States and other countries.

[Begin Kerin recording] The reality is, given the mood of the Congress and given the state of agricultural trade and world market, it makes no sense to conduct our relations at a heightened public level, making accusations backwards and forwards. This matter has to be handled at governmental level and in terms of diplomacy and in terms of the actual factual situation.
[end recording]

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CSO: 4200/1204

AUSTRALIA

BRIEFS

ARGENTINA'S ALFONSIN TO VISIT—Argentina's President Alfonsin is to make a working visit to Australia and will have talks in Canberra on Saturday with the prime minister, Mr Hawke. Announcing the talks, Mr Hawke said it would be the first visit to Australia by a Latin American head of state. He said President Alfonsin's efforts to consolidate democracy, to redress past human rights abuses, and to overcome the deep-seated economic problems had earned him admiration around the world. Mr Hawke said Australia and Argentina had recently given increased attention to the need to liberalize international trade in agricultural products. He said Argentina was generally regarded as a leader in the Nonaligned Movement. Its views on Central America, Antarctica, South Africa, and disarmament were of great interests to Australia. [Text] [Melbourne Overseas Service in English 8 Jul 86] /8309

UNIONS TO STRIKE OVER SUPERANNUATION—The Australian Council of Trade Unions [ACTU] has stepped up pressure on employers to pay a 3-percent rise in superannuation benefits. The superannuation increase is outlined in the council's prices and incomes accord with the Australian Labor Party and the federal government. Unions are now threatening that unless the 3 percent superannuation claim is met they will refuse to give undertakings to the Arbitration Commission which would rule out any pay rises until next year. The ACTU president, Mr Crean, says the first unions which will pressure employers into paying the superannuation claim will be those in the transport, building, waterside, and paint industries. Waterside workers have already begun their indefinite strike which has affected more than 40 Australian ports and halted work on about 60 ships. If employers agree to their claim, the unions will accept last week's decision on wages by the Arbitration Commission. [Text] [Melbourne Overseas Service in English 0130 GMT 1 Jul 86] /8309

CSO: 4200/1204

LAOS

LAOS REJECTS THAI BORDER INCURSION 'FABRICATIONS'

OW200805 Hanoi VNA in English 0715 GMT 20 Jun 86

[Text] Hanoi, VNA, June 20—Souban Salithilath, deputy-minister for foreign affairs, on June 18, summoned Saya Chitdavong, Thai ambassador to Laos, to inform him of the Lao Government's stance on the June 14 event in Huai Pong village, Kiengkham District, Thai Phayai Province.

Souban Salithilath said that the Lao Government regrets to hear the allegations made by Thai newspapers and an official interview of the Thai Government on the so-called "the intrusion of Lao troops in which a refugee camp in the mentioned village was attacked."

S. Salithilath refuted the Thai claim and said the allegation was groundless. The reverse is true because, he said, "since the founding of the Lao People's Democratic Republic, Laos has become an object of Thai terrorist activities."

He cited facts about Thai violations of Lao territory, especially Thai troops attack against and occupation of three Lao hamlets in Sayaboury Province 2 years ago.

"The allegation has been intended to create new tension along the border, and divert the Thai public from the present political and economic hardship. The Lao Foreign Ministry categorically rejects the Thai's allegation and holds Thailand fully responsible for all consequences that might result from the tension along the border caused by the allegation."

In this connection, the Lao DAILY PASASON on June 19 carried a commentary, strongly condemning the cynical and aberrant move of the Thai authorities in launching this noisy campaign against Laos.

/8918

CSO: 4200/1179

LAOS

AFP REPORTS EMIGRATION TO THAILAND HURTING BUSINESS

BK170832 Hong Kong AFP in English 0807 GMT 17 Jun 86

[By Michael Adler]

[Text] Bangkok, June 17 (AFP)--The flow of refugees from Laos to Thailand still exceeds the number of returnees and has increased sharply over the past few months, Thai officials said here Tuesday.

While 59 Laotians have returned this year to their homeland under the repatriation program of the United Nations High Commissioner for Refugees (UNHCR), a total of 2,278 had fled the country by the end of May, according to the Thai figures.

In 1985, these figures were 235 returning versus 12,000 fleeing, according to UNHCR and Thai sources.

In Vientiane, a western source said the trend was especially worrying since the refugee flow had drooped significantly in the second half of 1985 after Bangkok announced in July that it would screen Laotian refugees.

Thai authorities now separate those to be given legal refugee status, and the chance to live in camps while awaiting resettlement in a third country, from those "screened out" and held for obligatory return to Laos.

From July last year to February, an average 342 Laotian refugees arrived in Thailand as illegal immigrants, down from an average of about 2,000 per month for the first 6 months of 1985.

But the figures for March, April and May this year showed a sustained increase of some 60 percent in the monthly flow with figures of 590, 526 and 501 per month.

A source in Vientiane made available to AGENCE FRANCE-PRESSE a "top-secret" version of Thai data which indicated that the May figure did not take into account a group of 201 Buddhist monks who crossed the Mekong River to reach Thailand on May 3 but were turned back by authorities.

The situation is especially serious since "more businessmen are leaving and among the people returning, half are farmers, one third are youth," the source said.

"The trained people they need are not coming back," he added, referring to problems Vientiane officials themselves admit in finding qualified people to run the nation's businesses and government programs.

Officials said last week in Vientiane that the number of UNHCR-sponsored returnees was matched by at least as many Laotians returning on their own across the 1,766 kilometer (1,090 miles) border between the two countries.

But they confirmed estimates that Laos had lost 300,000 citizens, or about a tenth of its 3.6 million population, since the communists came to power in 1975.

Some 90,000 Laotians are now in refugee camps in Thailand.

Thai National Security Council Secretary-General Prasong Sunsiri showed the depth of Bangkok's concern Friday, when he announced the closure of Thailand's main resettlement camp by the end of the year in an effort to stem the refugee flow from neighboring countries in communist Indochina.

He said illegal Laotian refugees were a major part of the problem and that 868 Laotians now in Thailand and considered illegal would be returned soon to their native land.

But Vientiane has not yet agreed to accept "illegal immigrants."

It insists that Laotians who wish to return from the camps be processed through the UNCHR.

Bounteng Vongsai, director general of the Laotian KPL press agency, has criticized Laotians who stay in camps in Thailand as "lazy people who don't want to work."

One diplomat in Vientiane said of these Laotians: "They have food. They have some education. If they fall ill they can go to hospital."

"They have a better life in the refugee camps than they have in the Laotian countryside," he said.

/8918

CSO: 4200/1179

LAOS

BRIEFS

SOUPHANOUVONG GREET'S GDR'S ZINDERMAN--Vientiane, June 24 (KPL) Souphanouvong, president of the republic and of the People's Supreme Assembly of the Lao PDR has conveyed a message to Horst Zindermann, president of the People's Chamber of the GDR, greeting him on his being reelected president of the People's Chamber. Souphanouvong expressed conviction that his GDR counterpart will work for the development and strengthening of relations between the two assemblies and peoples for the interests of peace and socialism. [Text] [Vientiane KPL in English 0901 GMT 24 Jun 86 BK] /8918

SOUPHANOUVONG CONGRATULATES GDR'S HONECKER--Vientiane, June 24 (KPL)--Souphanouvong, president of the republic and of the People's Supreme Assembly has cabled warm greetings to Erich Honecker, president of the State Council of the GDR on the occasion of his being reelected at the post of the presidency of the State Council. The message writes: "I am convinced that you will continue to work for the development and consolidation of fraternal friendship relations between the two governments and peoples, to actively contribute in the safeguarding of peace and security in the world." The Lao leader wished his GDR counterpart good health and brilliant success in his noble task and in implementing the resolutions of the 11th Congress of the SED [Socialist Unity Party of Germany]. [Text] [Vientiane KPL in English 0856 GMT 24 Jun 86 BK] /8918

PHOMVIHAN GREET'S GDR'S WILLI STOPH--Vientiane, June 24 (KPL)--Kaysone Phomvihane, chairman of the Council of Ministers of the Lao PDR has sent a message of his GDR counterpart, Willi Stoph congratulating him on the occasion of his being nominated chairman of the Council of Ministers of the GDR. The message stressed the Lao Government head conviction that the relations of friendship and cooperation between the Lao PDR and the GDR will be further consolidated and developed for the interests of the two peoples, for peace and socialism. Kaysone Phomvihane concluded, saying: "I wish you good health and great success in your lofty task and in the implementation of the resolutions of the 11th Congress of the Socialist Unity Party of Germany (SED)." [Text] [Vientiane KPL in English 0859 GMT 24 Jun 86 BK] /8918

PEACE DELEGATION RETURNS HOME --Vientiane, June 20 (KPL)--A delegation of the Lao committee for world peace, friendship and solidarity with other nations led by its Vice-President Sisavang Chantharpa, returned home on June 16, after attending the conference on information and propaganda for peace of socialist countries which was held from June 9 to 12 in Moscow. The conference discussed issues on the struggle for lasting peace and disarmament in the world. [Text] [Vientiane KPL in English 0903 GMT 20 Jun 86 BK] /8918

25 July 1986

COOPERATION PACT SIGNED WITH HANOI--Vientiane, June 14 (OANA-KPL)--The capitals of Vientiane (Laos) and Hanoi (Vietnam) will increase their economic and cultural cooperation, according to the memorandum signed here on June 11. The two capitals are to strengthen their cooperation in the spheres of agriculture, industry, handicraft and forestry as well as in communication. Exchange of technicians, visits, and excursion has been also planned. The signatories of the document were Sithon Sibounhuang, standing member of the Vientiane party committee, deputy-minister, deputy-mayor of Vientiane and head of the Vientiane committee for economic and cultural cooperation, and Le Ha, member of the party committee, head of the committee for economic and cultural cooperation of Hanoi capital. The Vietnamese delegation left here on June 12 after concluding a 1-week-long visit to the Lao PDR. [Text] [Vientiane KPL in English 0901 GMT 14 Jun 86 BK] /8918

AMERICAN AID--Vientiane, June 18 (KPL)--Ten thousand U.S. dollars worth of scientific and technical books were handed over on June 17 on Soulinan Thavong, president of the State Council of Sciences and Technology of Laos by Ms Theresa A. Tull, charge d'affaires a.i. of the United States to Laos. The handing-over ceremony was held at the office of the State Council of Sciences and Technology of Laos. [Text] [Vientiane KPL in English 0902 GMT 18 Jun 86 BK] /8918

KAYSONE PHOMVIHAN RECEIVES FRENCH ENVOY--Vientiane, June 21 (KPL)--Kaysone Phomvihan, general secretary of the LPRP CC, chairman of the Council of Ministers, on June 20, met here the extraordinary and plenipotentiary ambassador of France to Laos, Marc Menguy, who paid a courtesy visit to him. The host and guest had a cordial and friendly discussion in an atmosphere of good friendship. [Text] [Vientiane KPL in English 0910 GMT 21 Jun 86 BK] /8918

RECEPTION MARKS KPRAF ANNIVERSARY--Vientiane, June 20 (KPL)--The Kampuchean Embassy to Laos, on June 19, held a reception here marking the 35th anniversary of the People's Revolutionary Armed Forces of Kampuchea. Present at the reception were Sisavat Keobounphan, secretary of the LPRP CC and of the Vientiane party committee, Osakan Thammatheva, member of the LPRP CC, deputy-minister of defence, head of the army general political department, Soulivong Phasitthidet, deputy minister of foreign affairs and other high ranking Lao officials and officers. Military attaches of socialist countries to Laos were also present at the reception. The reception was proceeded in an atmosphere of warm and fraternal friendship. [Text] [Vientiane KPL in English 0903 GMT 20 Jun 86 BK] /8918

CSO: 4200/1179

MALAYSIA

RADIO COMMENTARY ON RELATIONS WITH BRITAIN

BK031029 Kuala Lumpur International Service in English 0800 GMT 3 Jul 86

[Station Commentary]

[Text] The 2-day visit to Malaysia of the British Minister of State at the Foreign and Commonwealth Office has highlighted bilateral relations between the two countries. The British Minister Mr Timothy Renton, had also represented Britain at the ASEAN's post-conference dialogue meetings. There is a wide range of matters that have brought the two countries together. Trade and economic ties are significant because British exports to Malaysia have increased considerably since 1984. The increase is particularly noteworthy in the imports of chemicals, electrical machinery, office equipment, and above all food. Thirty years ago, the United Kingdom held about 25 percent of the Malaysian import market. That position was lost owing to a number of development, including the economic resurgence of Japan. There are indications now that apart from British exports, UK investments in Malaysia will increase too. To quote the economic report of a leading British commercial bank, the Malaysian economy rode out the world recession comparatively well and has continued to expand. British investors are well aware of the prime advantages to be found in Malaysia. The incentives are attractive, and a generous concession will come into effect very soon for all pioneer industries. Malaysia would like to see the advent of more British investments here.

Malaysia has a strong feeling about the high tuition fees levied by British institutions of higher education on Malaysian students. For some years, this has been a grievance, and there is no doubt that many more young Malaysians will apply to study in British institutions except for this levy. Even so, there is a substantial number of Malaysian government-sponsored and private students in Britain. This year, the British Government agreed to allocate more money for English-language programs in Malaysia, and its step has been welcomed by the Malaysian education authorities. To quote the Malaysian deputy minister for education, Haji Bujang Ulis, the new allocation will enable the Malaysian Government to send more students for degree and postgraduate studies in Britain.

In the field of foreign affairs, Malaysia and Britain are fellow members of the Commonwealth Association. But there are differences of approach with regard to certain issues such as the apartheid problem. Malaysia has stated

openly that Britain must adopt a more realistic policy by resorting to some effective economic sanctions rather than allowing South Africa to carry on with its racist attitude. Malaysia feels that the British attitude is crucial and even a slight change of policy may bring about some reforms in South Africa. Similarly, Malaysia and ASEAN would like to see Britain using its influence as a major trading nation to curb the strong tide of protectionism. The brief visit paid by Mr Timothy Renton enabled him to obtain a firsthand perception of the Malaysian perspective on various issues, and this will certainly lead to the strengthening of the traditional ties between Britain and Malaysia.

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CSO: 4200/1191

MALAYSIA

'SNAGS' IN DIRECT PRC TRADE BEING 'IRONED OUT'

BK061054 Kuala Lumpur BERNAMA in English 1003 GMT 6 Jul 86

[Text] Johor Baharu, Malaysia, 6 Jul (OANA-BERNAMA)—Two "technical hitches" are holding up the signing of the direct trade agreement between Malaysia and China, Malaysian Deputy Trade and Industry Minister Muhyiddin Yassin said Sunday.

He said these snags were in respect of Malaysia's requirement for the licensing of local companies engaged in direct trade with China and the investment guarantee pact which hinged on the question of the exchange rate and currency for direct trade.

However, he pointed out that these snags were now being ironed out and finalized by his ministry, other relevant ministries and government agencies to facilitate the signing of the agreement.

Muhyiddin who spoke to reporters after opening a civica course in this capital of the southern Johore State, said the transport minister had been entrusted the task of preparing the draft shipping agreement on facilitating the transport of cargo by Malaysian ships to Chinese ports. This, he said, would help check the gross imbalance in the shipping services, at present in China's favor.

Muhyiddin said the draft was being prepared as a follow-up to discussions held between Malaysian Prime Minister Dr Mahathir Mohamad and his Chinese counterpart in Beijing in November last year.

Muhyiddin, who was in the prime minister's entourage during the China visit, also said his ministry had now relaxed certain conditions for local businessmen and entrepreneurs visiting China to promote a freer flow of direct trade between the businessmen of both countries.

Following the prime minister's visit to China, there had been a tremendous increase in the number of exchanges of trade and economic missions between Malaysia and China, he said. "One more high-powered trade mission from China will be coming to Kuala Lumpur again this September," he said.

Muhyiddin said China had increased its import of timber products from Sarawak hot briquetted iron from Sabah and other Malaysian-manufactured products, besides setting up more joint ventures with local companies.

He said the government hoped to encourage specialized groups to visit China to identify investment opportunities and acquaint themselves with certain requirements in the trade system under a planned economy.

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CSO: 4200/1191

MALAYSIA

UK MINISTER CALLS ON HIGHWAY PROJECTS WORKS MINISTER VELLU

BR020628 Kuala Lumpur BERNAMA in English 0055 GMT 2 Jul 86

[Text] Kuala Lumpur, 1 Jul (BERNAMA)—Britain is interested in participating in major projects in Malaysia such as the privatized north-south highway project works Minister S. Samy Vellu said Tuesday.

Speaking to reporters after receiving Britain's minister of state at the Commonwealth and Foreign Office Timothy Renton, he said the British minister had expressed his country's interest in participating in the projects.

He said British contractors were among those who had applied to undertake the highway project on a joint venture basis with local contractors. The project would provide employment opportunities to about 20,000 people.

He also said his ministry is carrying out a study to determine the possibility of allowing heavy vehicles to carry loads exceeding the current limit and to seek ways of upgrading the standard of roads in the country.

Samy Vellu said the study, which would also cover Sabah and Sarawak, was being carried out by British experts and would cost more than M\$5 million (about U.S.\$1.9 million).

The minister also said his ministry was currently awaiting approval from the treasury to go ahead with the M\$1.4 billion (about U.S.\$588 million) rural water supply project.

An agreement was signed two months ago with a British company which would undertake the project on a joint venture basis with local contractors.

Renton, who leads a three-man delegation, will also call on Foreign Minister Tengku Ahmad Rithauddeen before leaving for home.

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CSO: 4200/1191

PHILIPPINES

MARCOS' 'LOYALISTS' WARN OF REBEL ATTACKS

HK050410 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 4 Jul 86 pp 1, 7

[Article by Fil Viduya]

[Text] Marcos' Loyalists warned yesterday that insurgents may stage simultaneous lightning-like attacks on camps Aguinaldo and Crame in Quezon City.

The goal of the assaults, according to the loyalists, is to capture Defense Minister Juan Ponce Enrile and Gen Fidel Ramos, AFP [Armed Forces of the Philippines] chief of staff, who are anti-communist officials in the Aquino government.

Lawyers Oliver Lozano and Noemi de Pedro III, both officers of the Freedom Fighters of the Philippines, said the communist insurgents, whose well-armed urban guerrillas are said to have been already strategically deployed in Metro Manila, believed that it would be easier to take over the new government "once Enrile and Ramos would be ousted from their high positions in the military."

The two loyalist leaders, who claimed their source of the alleged attack plot was a "very reliable intelligence man," warned the assault on the two military camps would be led by the freed Communist Party of the Philippines founder, Jose Maria Sison.

This warning came in the wake of reports that the Aquino government is heavily infiltrated by communists, who the loyalists said they would expose in due time.

Lozano also stressed his belief that Mrs Aquino is bound to fail in her acceding to have "this so-called peace talk with the insurgents." He said it "is a gamble where Aquino losses in both situations, that is, whether the peace talk would succeed or fail."

Lozano said if the peace talk succeeds, Aquino would still be faced with the bigger problem of how to distribute the large tract of lands owned by the friars including haciendas like the Cojuangco-owned Hacienda Luisita in Tarlac.

The loyalists' position apparently jibed with that of Enrile who was quoted the other day as saying he doubted if any concrete results would arise from the negotiations between the government and the insurgents.

Lozano said the scheduled prayer rally today at Camp Ave. was not pushed through for security reasons.

He said a security set-up to prevent repetition of the brutal dispersal of loyalists last June 22 by Capcom and police dispersal teams has been acted favorably by the military but there was no time to implement it. [sentence as published]

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CSO: 4200/1195

PHILIPPINES

LANDOIL MANAGEMENT REVEALS MARCOS SHAREHOLDINGS

HK030210 Manila MANILA BULLETIN in English 2 Jul 86 pp 1, 13

[Text] The Landoil management said yesterday that 40 percent of Landoil shares was taken by former President Marcos through Piedras Petroleum in 1977 and asked the Presidential Commission on Good Government (PCGG) to sequester the shares that would pave the way for the restructuring and economic recovery of the company.

As early as March 19, 1986, the Landoil management said it requested the PCGG presence in Landoil Resources Corp., asked for damages from Piedras, and revealed details of the company's takeover by the Marcos regime and subsequent acts against the company by Marcos henchmen.

At the same time, Acting Landoil President Luis Catubig informed PCGG Chairman Jovito Salonga and Commissioner Raul Daza that international banks are now prepared to support Landoil's eight-point recovery program, on arrangements made by former Landoil president and present adviser Jose de Venecia.

Catubig, De Venecia, and 18 Landoil executives revealed that control of the company was taken at the height of Landoil's popularity and financial strength in 1977, when Landoil, with three other Philippine companies, first struck oil in Palawan, and acquired at least \$70 million (Pl.4 billion) in yearly contracts in Saudi Arabia, as the pioneer Philippine prime contractor in the Middle East and North Africa.

"Landoil was not a crony company, was not created from the start by Mr Marcos and his cronies, and did not become large by favored contracts from the Marcos government," they said. "On the contrary, it did not have construction or port operation contracts in the Philippines, Landoil's main business lines, and was forced to bid for projects overseas," Catubig and De Venecia said.

Landoil built its hotel in Mariveles, Bataan, with private funds, the first to do so in that period, and not from loans from government banks, they added.

Further, Landoil for many years was one of only two or three companies in the Philippines, the bulk of whose borrowed funds from abroad was acquired without Philippine Government bank guarantees, and which was only forced to do so mainly in 1982-1983 when Iraq and Libya did not pay Landoil's substantial

contract receivables and the recession began in the Middle East with the fall in oil production and prices, they said.

The Landoil management said that on the initiative of De Venecia, a collection case of P10.82 billion (\$541 million) against the Lloyd's of London syndicate of more than 70 underwriters in documented claims and damages was filed by Landoil at the regional trial court of Makati, which recently denied Lloyd's application to dismiss the case for lack of jurisdiction.

Management said the Lloyd's underwriters have offered Landoil about P100 million (\$5 million) to settle the case amicably.

In the previous year, the New York brokers, Alexander & Alexander, offered Landoil more than P90 million by way of settlement. As of now Landoil has received offers totalling about P190 million, both of which Landoil turned down for being far too little, considering the size of Landoil's projects.

The Landoil management said it believes that with PCGG's presence in Landoil, its collection case of P10.82 billion against Lloyd's of London and the separate case for P10 billion Landoil intends to file soon against the New York brokers, Alexander & Alexander, will be further strengthened and thus help protect Philippine Government interest.

The Landoil executives said that Landoil also filed collection suits in Baghdad and Basrah, Iraq, and in Kuwait against its Arab coventurers to protect Landoil's interest and by extension, the Philippine Government interest. These suits, representing the first Philippine cases filed in the Middle East, must be continued and supported, they said.

The Landoil executives added that the PCGG presence in Landoil will also enhance the collection efforts of the Landoil Group of Companies in Iraq, Libya, and Saudi Arabia, because of the possibility of enlisting government-to-government negotiations.

The Landoil executives said the Landoil groups decline was caused by the Marcos group entry effected through coercion with nothing more than partial payment of concessionary prices of substantial subscription rights and after years of delay, without interest and in unwanted land, and by the non-payment in Iraq and Libya and by delayed payments in Saudi Arabia.

These non-payments in turn were responsible for Landoil's inability to presently pay its bank debts and uncompleted payments to 1,500 workers and employees, assigned in Iraq and Libya, which today remains a nagging Landoil problem, they said.

The executives said that Landoil is seeking PCGG's intercession in the return of the shares and payment of damages by Piedras to Landoil, payment of interest on the delayed payment or non-payment, and asking that properties or assets of Piedras, Marcos, Security Bank (represented by Rolando Gapud), United Drug (represented by Jose Campos), and Geronimo Velasco be frozen or seized to satisfy their obligations to Landoil and to the nation.

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CSO: 4200/1195

PHILIPPINES

VER REPORTEDLY 'FALLEN' FROM FAVOR WITH MARCOS

HK010438 Manila THE NEW PHILIPPINES SUNDAY EXPRESS in English 29 Jun 86
pp 1, 2

[Article by Antero F. Soriano]

[Text] Former President Marcos is relying more on his military aide, Col Arturo Aruiza, than on Gen Fabian Ver, former AFP [Armed Forces of the Philippines] chief of staff, who, a military source yesterday said, has "fallen" from the former president's favor.

The source, a newly-promoted high ranking military official, said Marcos apparently blamed Ver for his downfall and for creating disunity within the armed forces.

The deposed president, who is living in exile in Hawaii, reportedly expressed disappointment over Ver's handling of the situation during the February revolution and his "lack of strategic sense." "Former President Marcos was misled by Ver into believing that he (Ver) had complete control of the military," said the official.

The officer also said contrary to reports, Ver has not left Hawaii for the mainland.

He also said former President Marcos has retained two officers and eight enlisted men whom the new government has allowed to continue in active service, which means that they would still receive their pay and allowances as members of the armed forces.

The two officers are Col Aruiza and Capt Ramon Azurin, also a presidential military aide. It was not known whether Col Rudy Katcliffe, aide to the former First Lady, was also retained.

The retention of these military men in the active duty, according to the military officials, was part of the national reconciliation policy of the new government and as a reward for their loyalty.

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CSO: 4200/1195

PHILIPPINES

OPLE ON DANGERS OF SHARING POWER WITH COMMUNISTS

HK040505 Manila MANILA BULLETIN in English 3 Jul 86 pp 1, 7

[Text] Former member of parliament and Labor Minister Blas F. Ople said yesterday there will be a strong and dangerous "backlash" from the Armed Forces of the Philippines and other segments of the nation if the Aquino government is perceived as preparing to share power with the Communist Party.

At the same time, he debunked forecasts that President Aquino would be driven to an alliance with the Communist Party of the Philippines-New People's Army (CPP-NPA) because of growing desperation.

"On the other hand, new possibilities of a wider freedom are putting strong psychological pressures on the leadership of the CPP-NPA to demonstrate to their own rank and file that a reasonable attitude was being taken toward President Aquino's offer of peace," he said.

Ople, chairman of the Partido Nacionalista ng Pilipinas (PNP) and leader of the opposition in the Constitutional Commission, said Aquino can alienate her own troops by appearing "to let them down" in ceasefire negotiations.

He said any kind of power sharing with the communists will immediately trigger that effect.

Ople said the CPP, its political wing, the National Democratic Front, and its military arm, the NPA, should be admitted to "an open, constitutional political arena" where the only test would be allegiance to the constitution. He said this means forswearing violence and conspiracy against the state.

Under such open conditions, now being prepared in the Constitutional Commission, Ople said the communists can compete freely in elections. But given a clear choice, he said, the Filipino people will reject communism in favor of liberal democracy with its guarantees for "freedom of initiative, freedom of choice."

He added: "Contemporary history shows communism is no longer the wave of the future. Whether it is in Vietnam or on the other side of the Berlin wall, people, when given the freedom to choose, seek to flee from communism."

Ople said that paradoxically, communism could gain admission to the constitutional arena through a multi-party system but whenever it has attained power, the first thing communists do is to abolish a multi-party system and set up a one-party state.

Ople debated the prospects for communism in the Philippines with Jose Maria Sison, founding chairman of the Communist Party of the Philippines, and Prof Ed Garcia of the University of the Philippines, a member of the Constitutional Commission, in Ricardo Puno's television show, "Viewpoint."

Sison held up a picture of rapidly deteriorating political and economic conditions in the Philippines and a "fractious armed forces" which, he said, would drive the Aquino government in 2 to 3 years either to adopt repressive measures or seek an alliance with the CPP-NPA.

Professor Garcia, chairman of the ad hoc planning committee of the Constitutional Commission which oversees public hearings throughout the country, told Sison it was presumptuous of the CPP to hold that they alone were concerned about national sovereignty, land reform, and social justice.

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CSO: 4200/1195

PHILIPPINES

EDITORIAL VIEWS PROBLEMS CONFRONTING GOVERNMENT

HK031034 Manila THE MANILA CHRONICLE in English 1 Jul 86 p 4

[Editorial: "Tug of War in the Government"]

[Text] The majority opposed to the Marcos rule was handicapped by the question of how to depose the dictator.

To use the legal means available not only implied an acceptance of the illegitimate and immoral laws of the dictatorship, but meant contending with laws that could easily be amended, often secretly, by Marcos himself. The opposition was thus always at the losing end.

It was for this reason that even those averse to violent means had to accept extraordinary methods of resistance. Civil disobedience, the welgang-bayan [national strikes], and the contemplated tax boycotts were among the extra-legal means that the opposition had to resort to.

The implications of these extra-legal methods still hound the Aquino government. Although elections preceded the rise to power of the present government, the results of the elections were at best too ambiguous to firmly confer solid legitimacy on Mrs Aquino. The clamor of the majority, however, was resolved by People's Power, upon whose approval is based public acceptance of the Aquino government.

It was within the logic of this situation that President Aquino was compelled to declare her government revolutionary.

Problems arising from this situation, however, constitute the difficulties that continue to challenge the Aquino government.

The traditionalists believe the situation demands a legal framework to legitimize the government. They therefore believe that certain conditions of an institutional nature should first be satisfied before the government can be legitimized. Thus they feel that a written constitution, duly ratified by the people in a free plebiscite, together with a firmly organized bureaucracy and tenured administrators, is a sine qua non for the claim to legitimacy.

On the other hand, the populists have little regard for these institutional and legal considerations. They feel that certain values ought to be achieved before a state of settled governance could be reached.

These values or issues have something to do with justice, a better deal for peasants and workers which constitute the majority of the population, and redress of those grievances which have traditionally hounded the Filipino.

They see the Aquino government, therefore, in a revolutionary context requiring extraordinary measures.

Certainly, even a revolutionary government must be stable. But stability as we see it, should not be desired as a condition to revert to the pre-dictatorship society.

The involvement of sectors previously denied expression in Philippine society in the struggle against the dictatorship is a development no government in the post-Marcos policy can ignore.

Mrs Aquino, therefore, faces a situation more difficult and challenging than any president has ever confronted.

This is a circumstance which, no matter how risky, cannot be avoided.

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CSO: 4200/1195

PHILIPPINES

JAPANESE JOURNALIST COMMENTS ON ALTERED AGRAVA TESTIMONY

HK040513 Quezon City BUSINESS DAY in English 3 Jul 86 p 24

[Text] Japanese freelance journalist Kiyoshi Wakamiya said yesterday some points in his earlier testimony before the Agrava fact-finding board were changed when it was translated from Japanese to English by a Philippine Embassy officer in Tokyo.

Wakamiya made this observation at the continuation of his cross-examination by the defense lawyers at the inquiry by the Vasquez commission. He is one of the newsmen who accompanied former Senator Benigno S. Aquino, Jr. on his trip from Taipei to Manila before he was killed.

The Japanese journalist, however, did not elaborate because the inquiry was limited to charges of collusion and pressure brought to bear on the Aquino trial.

Wakamiya later disclosed to reporters what he told the Agrava board. The board went to Japan in February 1984 to hear testimonies of Japanese witnesses before the Tokyo metropolitan police.

Among them were:

-- Rolando Galman could not have shot Aquino because Galman came out in front of the SWAT van only after the senator was shot.

-- Wakamiya did not see Aquino walking on the tarmac.

-- The security men threw Aquino's body into the tarmac and scampered away without shielding him from further harm.

However, in the English translation reportedly done by Vice-Consul Zenaida Angara of the Philippine Embassy in Tokyo, these points were either omitted or altered.

Angara served as interpreter for the Agrava board when the testimonies of Japanese witnesses were given in Japanese. She was later asked to translate into English the original transcripts of the testimonies.

In the translated version by Angara, Wakamiya was quoted as saying: "Before Aquino fell, I didn't know which part of the stairs he was on or whether he was on the tarmac."

"I could see blood coming out on Aquino's head. At that time while I was staring at Aquino, a man wearing blue clothes appeared on my left field of vision, staggering like he was pushed out by someone. I did not see whether this man came out of the military vehicle or not," the English translation continued.

There was no mention in the English translation about the statement of Wakamiya that security men threw Aquino's body into the tarmac and scampered away without protecting the body of the senator.

At Wakamiya's cross-examination yesterday, Antonio Coronel, counsel for former Armed Forces Chief of Staff Gen Fabian Ver, pointed out that the Japanese journalist gave "conflicting versions" of his account of the Aquino assassination to different media outlets.

Coronel said he would later present to the Vasquez commission Wakamiya's alleged conflicting stories on the Aquino assassination.

This is the reason, Coronel hinted, the Japanese Embassy in Manila perhaps wanted Wakamiya out of the country in August last year because of possible embarrassment to the Japanese Government.

Wakamiya earlier told the commission that he was about to testify at the Aquino trial before the Sandiganbayan during that time. He was however told by Japanese Embassy officials to leave the country immediately because of alleged complaint from Malacanang that he was "talking too much."

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CSO: 4200/1195

PHILIPPINES

'MAJORITY' PREFERS PRESIDENTIAL-TYPE OF GOVERNMENT

HK020203 Manila THE NEWS HERALD in English 1 Jul 86 pp 1, 2

[Article by Teddy Owen]

[Text] Majority of Filipinos prefer the presidential type of government.

This sentiment was relayed yesterday by Constitutional Commission [Con-Com] Floorleader Napoleon G. Rama to the executive committee led by Lorenzo Sumulong.

Rama said the preference was expressed by the people in overwhelming fashion at hearings conducted by the Con-Com in various population centers throughout the country.

"This is what was reported to me after the public hearings covering Northern Luzon, the Visayas, and Midanao," Rama said, "but the people insist on insertion of an amendment to recall in mid-term the president should he get out of hand."

Rama said the executive and legislative committee should now go ahead and frame the drafts of these two branches of government, specifying in each of them their powers and a system of checks and balances between them.

The judiciary committee, headed by Roberto Concepcion, has almost finished its work except for final action on a resolution of member Ricardo Romula. Romula proposed the creation of a judicial and Bar Council under a new provision in the charter. The council will screen candidates for judicial positions. The council will also check on the performances of the members of the judiciary.

Concepcion said the presidential form was anticipated "because this is the only type of government Filipinos understand."

As understood in political science, the presidential system is based on the American form--three branches of government, each co-equal with the other and with powers intended to check each other from committing excesses. They are the executive, the legislative, and the judicial branches of government. The executive enforces the law, the legislative enacts the law and appropriates

money for government expenditures, and the judiciary interprets the law, declares it constitutional or unconstitutional and dispenses justice.

Other developments:

-- The committee on general provisions agreed in principle to create a Philippine National Police with the Philippine Constabulary and the Integrated National Police as its nucleus.

-- The judicial committee approved in principle the Judicial and Bar Council which it will take up today in final form.

-- The executive committee approved three resolutions, namely, a resolution to remove the word "ministerial" in the work of the legislature when tabulating the certificate of canvass in a presidential election and to specify clear-cut rules on the evaluation of certificates of canvass submitted to it for tabulation; authorizing the president to enter into treaties or international agreements with foreign countries subject to confirmation by the legislature; and empowering the president to borrow from abroad for foreign and domestic use but only with the concurrence of the Monetary Board, which will be required to submit to the legislature within 30 days after every quarter of the calendar year a complete report of its decisions on applications of loans to be contracted by the government.

-- The citizenship committee headed by member Fr. Joaquin Bernas, S.J., began deliberations on a resolution of member Edmundo Garcia to abolish the death penalty. Members Francisco Rodrigo and Ambrosio Padilla opposed the proposal and supported the views of Prof Esteban B. Bautista, head of the UP [University of the Philippines] division of research at law reform. Supporting the Garcia solution were members Rene Sarmiento, Teodulo Natividad and bureau of prisons Director Emille Cea. Natividad and Cea cited scriptures of the bible to support earlier views of Bishop Teodoro Bacani. Father Bernas proposed that the death penalty be abolished but subject to legislative reintroduction if warranted.

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CSO: 4200/1195

PHILIPPINES

EDUCATION MINISTER THREATENS TO JOIN TEACHERS' STRIKE

HK040515 Quezon City BUSINESS DAY in English 3 Jul 86 p 23

[Text] Education Minister Lourdes Quisumbing said yesterday she was not joking when she earlier said she would join a strike of the teachers if the government would not grant their 10 percent salary hike.

"I believe the teachers' cause is just and I stand pat on my decision to be one with them," Quisumbing told reporters when asked to comment on a Malacanang Palace statement that she might have been only joking.

Quisumbing said she is worried of the repercussions of her decision being a government official.

But, added she is taking it as a manifestation of her high regard to the economic demands of the teachers who have been neglected for so many years.

The 17,000-strong Manila Public School Teachers Association (MPSTA) threatened anew to stage a mass walkout starting July 15 if the 10 percent salary increase is not given to them.

Quisumbing said she will join the teachers if they march to Malacanang.

"The government must now prove itself in giving priority to education," Quisumbing said, adding that a strike participated by her would be the first for any cabinet minister under any Philippine president.

Meanwhile, Quisumbing ordered the newly-elected board of the financially-strapped Philippine Public School Teachers Association (PPSTA) to investigate the close to P1-million fund anomaly involving past PPSTA officials.

Quisumbing's order came in the wake of a PPSTA status report submitted by PPSTA General Manager Modesta Boquiren during the induction Tuesday of its new board of directors.

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CSO: 4200/1195

PHILIPPINES

FORMER RUC 3 CHIEF REPORTEDLY DEPARTS FOR UNITED STATES

HK010604 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 30 Jun 86 pp 1, 6

[Text] A ranking military official who had complete knowledge of the Radio Veritas bombing incident last February and who is facing investigation before the AFP [Armed Forces of the Philippines] anti-graft board has reportedly left the country with his family for the United States.

Camp Crame authorities yesterday identified the official as Brig Gen Isidro de Guzman, former Regional Unified Command [RUC] 3 chief.

A check with his office at Camp Aguinaldo showed that he has not reported for work for several days now. De Guzman was reassigned by Gen Fidel V. Ramos, new AFP chief of staff, with the office of Maj Gen Salvador Mison, vice chief of staff. He was involved in a committee studying the restructuring of the AFP.

His departure, military authorities said, was apparently facilitated by his revelations on the Veritas bombing incident. He is reportedly a green card holder, which enabled him to get his U.S. visa with ease.

De Guzman, sources said, revealed that former Ambassador Eduardo Cojuangco personally directed the operations destroying the equipment and transmission facilities of Radio Veritas in Bulacan, which falls under De Guzman's jurisdiction.

Sources said De Guzman was among 12 military officials considered as Marcos loyalists and was known protege of Cojuangco.

After the February revolution, military authorities said De Guzman filed a request for retirement but whether this was approved was not known.

Among those now under investigation for the bombing incident, sources said, are known subordinates of De Guzman. They are Col Rolando Roque, former Tarlac PC [Philippine Constabulary] commander, and Colonels Cesar Alvarez and Maximo Mejia, former Bulacan PC commander.

Mejia, a protege of Cojuangco, is also under investigation by the AFP graft board. His bank account has been frozen.

The three are now under house arrest in Camp Crame.

Military sources also said De Guzman's "surprise assignment" to region 3 was in preparation for last February's presidential election. He was previously assigned in the Visayas. He replaced Brig Gen Jose Magno, who was reassigned to the Southern Command based in Zamboanga City.

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CSO: 4200/1195

PHILIPPINES

EDITORIAL ON ISSUE OF U.S. BASES IN CONSTITUTION

HK021555 Manila THE MANILA EVENING POST in English 1 Jul 86 p 4

[Editorial: "The U.S. Bases and the Constitution"]

[Text] Now being discussed and currently the center of much attention by the Constitutional Commission is the presence of U.S. military facilities in the Philippines. This issue, however, is part of a broader foreign policy which should ultimately be taken up, that of neutralism and non-alignment.

Although the Military Bases Agreement ends in 1991, there seems no longer any doubt that, like it or not, the Constitutional Commission must incorporate in the proposed Constitution broad policies regarding the bases. It is a question which touches upon Philippine sovereignty and future foreign policy decisions.

But more critical is the national security aspect of these facilities. Under present conditions, are these facilities still necessary? Do circumstances still dictate the need for these bases? Are these facilities in the Philippines credible enough either for deterrence or defense?

It should interest the public that New Zealand, one of the closest allies of the United States in the Pacific, has recently enunciated a non-nuclear policy--"no visits by United States nuclear-powered ships or U.S. carrying nuclear weapons." This platform, according to New Zealand prime minister, David Lange, who is now visiting in Manila, was "non-negotiable."

In the case of these two facilities here in the Philippines, there is no doubt that they are not nuclear free. Consequently, they are sitting ducks for Soviet SS-20's and nuclear submarines in case of a war not of our own liking.

But what makes many Filipinos apprehensive is the manner in which the Americans make use of these bases as an instrument of their foreign policy. One of their officials calls it "leverage." Others describe it more aptly--intervention, economic, political, military.

The members of the Constitutional Commission, therefore, should study thoroughly the implications of having these facilities beyond the year of expiration. Whether to include an article or two on this controversial issue is something the members must consider. Whatever is going to be decided, people expect it should be determined by one important principle--that sovereignty is non-negotiable.

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PHILIPPINES

ALLEGED U.S. INTERFERENCE IN CONCOM CHARGED

HK261013 Quezon City ANG PAHAYAGANG MALAYA in English 17 Jun 86 pp 1, 6

[Article by staff member Ben Evardone]

[Excerpt] Charges of interference were hurled yesterday against the U.S. Government for allegedly trying to influence deliberations of the charter body through a \$20 million research grant it reportedly offered.

Commissioner Jose Nollado, a noted constitutionalist, said the U.S. offer to finance the research work of the Constitutional Commission [Con-Com] "is bribery in effect."

Former Labor Minister Blas F. Ople, one of five opposition members in the 48-member appointive body, confirmed to MALAYA the alleged U.S. aid offer.

Nollado was a delegate to the 1971 Constitutional Convention and author of the textbook THE NEW CONSTITUTION OF THE PHILIPPINES, ANNOTATED.

Nollado said the U.S. Government's efforts to exert influence over the Commission started even before the body opened session on June 2.

The United States has financed some academic institutions to frame several drafts to be used as working papers by the Con-Com, Nollado said.

Con-Com members identified with the nationalist cause expressed indignation over the alleged offer of money.

Rene Sarmiento said: "We should reject it."

Felicitas Aquino said: "If we take pains to be independent from the Office of the President, the United States has no reason to even attempt to influence our deliberations."

Con-Com Vice President Ambrosio Padilla said he has no knowledge of the U.S. offer, "but if there is any, Con-Com should reject it," he said.

The United States worried over country's political stability, is moving for the retention of the presidential form of government, said another commissioner who wished to remain unidentified.

Draft charters submitted by U.S.-backed groups of academicians to the Con-Com all call for a presidential system. The parliamentary system, where a party could fall from power at any moment, is considered too "unstable" for the Philippines.

The United States is reported to be also bent on blocking moves of the so-called "nationalist bloc" in the Con-Com to prohibit the installation of foreign military bases in the country.

It is also worried that the Con-Com might declare the Philippines a "nuclear-free zone." This would make their military installations here practically worthless for global war.

The United States is also moving for the decentralization of government. It wants local government units to acquire broader powers, though short of a federal system where states hold onto residual powers not exercised by the central government.

There have also been moves in the Con-Com to ease constitutional restrictions on foreign investments.

The U.S. Government has not been linked to the proposed investment liberalization, although U.S. businessmen who have an estimated \$3 billion in direct investments here strongly support the proposal.

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PHILIPPINES

CONCOM MAKES DECISIONS ON POWERS, LIMITS

HK011603 Quezon City BUSINESS DAY in English 1 Jul 86 p 24

[Text] A committee of the Constitutional Commission (Con-Com) turned down yesterday a proposal for the legislative branch of government to limit the president's power to contract foreign and domestic loans.

Instead, the committee on the executive endorsed for adoption in the new charter that the president merely informs the legislative body provided monetary authorities have prior concurrence.

The committee realized that the original proposal to secure prior approval of the legislature by three-fourths vote "is almost impossible."

Two proposals were earlier submitted to the committee. One sought that the president should get prior approval of the legislature before securing any kind of borrowings.

The other wanted the president to get prior approval either of the monetary authority, the Central Bank, or the Monetary Board.

During the deliberations, Commissioner Teodulo Natividad said "three-fourths vote of the legislature is almost unanimous. This is hard to achieve. It is enough that the president notifies the legislature and secure the prior approval of the monetary authorities.

"This will give the president an elbow room in negotiating loans. It will not unnecessarily restrict the president's hand," Commissioner Florenz Regalado said.

The committee on the executive chaired by Lorenzo Sumulong also agreed that a presidential form of government be adopted in the new constitution, with the president exercising limited powers.

The executive committee, however, deferred decision on the terms of office of the president.

Proposals were filed before the body that the president should have a 6-year term without reelection. Another provides for a 6-year term with one reelection. Others provide for a 4-year term with only one reelection.

The Sumulong committee also deferred action on the system of recall of officials including the president. This matter has to be studied further, the committee said.

The committee agreed to adopt a provision limiting the power of the president to enter into treaty. A treaty or international agreement may be valid only when it has the concurrence of at least the majority members of the legislature.

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PHILIPPINES

CONCOM . DECIDES CHURCH-STATE RELATIONSHIP

HK030125 Quezon City BUSINESS DAY in English 2 Jul 86 p 24

[Text] A committee of the Constitutional Committee (Con-Com) decided yesterday to allow President Corazon C. Aquino to continue issuing laws until a new legislative body is convened.

The Con-Com's committee on amendments and transitory provisions also decided to mandate in the new charter the validity of the decrees issued by ex-President Ferdinand E. Marcos during the interim period from the time the new charter is ratified by the people to the formation of a law-making body.

This provision is intended to serve as a "bridging measure to insure the validity of laws, particularly as these affect contracts," Commissioner Blas F. Ople said.

Ople pointed out that the provision will protect vested rights and contractual obligations of citizens, domestic and foreign firms, and even inter-governmental agreement based on existing laws and decrees regardless of whether they were issued by President Aquino or former President Marcos.

The committee, however, said only published and known decrees will be considered valid and part of the law of the land.

Secret decrees will not be validated or honored, it added.

In the meeting of the legislative committee chaired by Hilario Davide, Jr., a provision was approved to the exemption from tax the buildings and improvements of religious educational institutions.

The committee agreed that religious schools will be added to religious charitable institutions, churches, mosque, and non-profit-oriented cemeteries which are covered by tax exemption under section 17 of article VIII of the 1973 Constitution.

These schools which are owned and operated by religious groups were exempted from payment of taxes under the 1935 Constitution, but this privilege was scrapped in the Marcos 1973 Constitution.

Davide and Commissioner Francisco Rodrigo, a known Catholic lay leader said the reason for restoring tax exemption of religious schools is: They are assuming the burden of the states in providing education to the people.

The committee on preamble also heard differ at proposals of the separation of the state and the church.

Commissioner Teodoro Bacani, a Catholic bishop, urged "mutual autonomy between the church and the state."

The church and the state must be "independent of each other although they can be united in the pursuit of a noble purpose or endeavor," Bacani added.

Bacani batted for a church-state relationship that should have a voice in deciding issues affecting human rights and individual dignity.

The committee favored the retention of the phrase "separation of the church and the state" in the new charter. This means the relationship must be of mutual independence which does not discard cooperation or unity in the pursuit of common objective.

The committee on justice chaired by former Supreme Court Chief Justice Roberto Concepcion agreed to endorse a provision allowing the court to decide "political question."

The committee adopted a provision stating that the judicial power shall be vested in one Supreme Court and in such lower courts as may be established by law.

The Supreme Court shall be composed of a chief justice and 10 associate justices. The Supreme Court shall also have administrative supervision over all courts and their personnel.

The committee also adopted that all cases or matters filed after the effectivity of the new constitution "must be decided or resolved within 24 months from the date of submission to the Supreme Court unless reduced by the Supreme Court; 12 months for all lower courts; and 3 months for all other lower courts.

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PHILIPPINES

CONCOM MAY BE UNABLE TO MEET DEADLINE

HK031040 Manila THE MANILA CHRONICLE in English 1 Jul 86 p 2

[Article by staff member Vitug]

[Text] The Constitutional Commission might not finish writing a new charter with the 90-day deadline it had set for itself.

The constitution writers, who have been working feverishly since they began their historical task last June 2, pushed back their timetable to hear more of the people's sentiments being articulated in the commission's nationwide hearings.

Delay in the commission's work is expected to be not less than 1 week but not more than a month.

In convening the Constitutional Commission, President Aquino urged the 48-man body to finish its work by September 2 "to hasten the return to normal constitutional processes."

The charter drafters recognized the president's reason and fixed a schedule to conform with the 90-day period. But in doing so, the charter drafters asserted their independence and said the commission is not governed by the September 2 deadline.

The commission earlier set July 7 as the date when all reports and positions taken by the 17 committees will be submitted to the entire body for discussion.

During those discussions or plenary sessions, committee reports would be rejected, modified, or adopted during or after deliberations.

In yesterday's meeting of the steering committee, a vital body which monitors the progress of committee work and sets the agenda for discussion, it was pointed out that the committees cannot submit a full report on July 7 "because public hearings will still be held until July 15."

"Those public hearings, where we get the people's sentiments so that they can be reflected in the new charter, would be absurd and exercises in futility, if

the commission shall have firmed up its position on various issues by July 7," Commissioner Jaime Tadeo told the "CHRONICLE."

The steering committee was informed that nine out of the 17 committees were almost through with their reports.

Legislative committee chairman Hilario Davide, Jr. said his committee was still discussing whether the form of government would be presidential or parliamentary.

Davide quickly added, however, that public hearings conducted in the last two weekends showed a preference of the people for the president system.

"While there was a public consensus on the form of government, the public appeared divided on a unicameral or bicameral form of legislature," Davide said.

Reporting on the work of the executive committee of which he is a member, Davide said that such committee "still (has) a lot of work to do."

He pointed out that the executive committee was still bogged down on the borrowing powers of the country's chief executive and discussions on that matter alone "will take up about 2 weeks."

Commissioner Serafin Guingona said deliberations at the committee on constitutional bodies may also be delayed due to the proposal to create more constitutional bodies, such as the Commission for National Police and the Tanodbayan Commission.

Steering committee chairman Jose Bengzon, Jr. urged the representatives of various committees to arrive at a consensus on various issues immediately after the public hearings are through.

To hasten the commission's work, other steering committee members--Ricardo Romulo, Teresa Nieva, Francisco Rodrigo, Minda Luz Quesada, and Guingona--agreed that non-controversial issues can be brought to the floor for discussions.

The steering committee will recommend to the commission this week the holding of more discussions on the floor.

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PHILIPPINES

OFFICIAL DISCUSSES ECONOMIC POLICIES, PAST ABUSES

HK020219 Manila THE MANILA EVENING POST in English 30 Jun 86 pp 1, 3

[Text] Deputy Minister Edzel Lagman of the Ministry of Budget and Management (MBM) recently said the Aquino government set aside a cash disbursement ceiling of P112.7 billion for 1986, reduced the budget of the Ministry of National Defense (MND), and reserved P8.7 billion for rural development.

Speaking at the "Bicol Forum" in Makati, Lagman said the 1986 national budget, which was passed by the defunct Batasang Pambansa, "contained excess fat disguised as cash reserved for different ministries and foreign consultant fees."

"We have removed the excess fat and reallocated the money to priority projects such as rural upgrading, agricultural incentives, social services, employment generation, and small-scale infrastructure in the countryside," he said.

Lagman said the MBM would raise P87.4 billion with P80.3 billion to come from existing tax collection measures, while P7.1 billion would be collected from new taxes.

He said when former President Marcos fled the country, "Marcos left money in the treasury good only for 2 weeks to run the government machinery."

He added that for the first quarter, the government realized a revenue shortfall of P3 billion, while it hoped to settle P25 billion in accounts payable.

Most government agencies, he said, deliberately did not pay their bills with the Manila Electric Co. (Meralco) and the Metropolitan Waterworks and Sewerage System (MWSS) for 2 to 10 years, while the money intended for them was diverted.

"Heads of those agencies reasoned out that since those accounts were to be paid by the government, they could withhold payment of their bills and diverted the funds instead," Lagman said.

To avoid another diversion of payment for government accounts payable he said, "We intend to pay Meralco, the National Power Corp. (NPC), and the MWSS direct and would not course the money through the debtor agencies."

"In the process, we reduced the net lending of the NPC which in the case of the MWSS, we facilitated the speedy financial transaction, thus improving our budgetary system," he added.

Lagman said the P25-billion accounts payable of the government would eventually be trimmed down to one-third of the total amount because, he said: "We have discovered these accounts appearing in old books 2 to 10 years old and still unpaid, while most of them are payments for ghost projects which actually never existed."

"Private contractors come to settle a project account, but they could not produce any contract to prove their money claim," he said.

He said priority for payment would go to foreign-assisted projects and said: "We will first pay our international commitments, because we cannot afford to default."

He added: "Second are the government workers. They must be paid their salaries, back wages, back pays, gratuities, and retirement benefits."

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PHILIPPINES

GOVERNMENT SEEKS FURTHER FREEZE IN REPAYMENT OF FOREIGN LOANS

HK031601 Manila THE NEWS HERALD in English 3 Jul 86 p 10

[Text] The government is seeking another 90-day extension of the freeze in the repayment of the country's outstanding loans to foreign commercial banks which represent about 58 percent of total debts.

This will be the 12th such extension to be sought by the country since the moratorium was imposed in October 1983 and the second under the Aquino government.

The current debt freeze ends July 7.

The country's total outstanding obligations amount to \$26.357 billion as of end March of which 58.2 percent represents the commercial portion and the balance secured from multilateral agencies which are not subject to restructuring or payment freeze.

For the whole of 1985, about \$3.1 billion of total export receipts of \$4.6 billion was spent to service the gargantuan debt most of which were spent irrationally during the Marcos regime.

There is strong suspicion that part of the loans may have been diverted to the personal bank accounts of Marcos, his relatives and cronies abroad.

In a related front, a special mission from the International Monetary Fund is expected next week to look into compliance with certain economic targets which the country must meet in order to win the patronage and blessing of foreign creditors.

A revised budget is being prepared for presentation to the mission the approval of which would start up fresh negotiations for a new standby credit from the IMF. Once this is in place, agreements with other creditors particularly the commercial banks could push through smoothly.

The government has been granted a new \$1.08-billion financial rescue package by member-countries of the so-called Consultative Group under the aegis of the World Bank.

About 30 percent of this amount could not be released unless an agreement with the IMF is worked out which in turn is hinged with the required budget program.

Up to this time, government fiscal and monetary policymakers could not yet seem to make up their mind on the projected level of deficit in the budget. The estimate ranges from a low P20 billion to a high of P38 or P40 billion.

Since the entire amount cannot be raised through additional borrowings abroad, the government would have to tap domestic sources for the balance. And this early, this plan is already causing serious concern in the business community.

With the government competing with the private sector in the local loan market, interest rates would likely go up and private initiative would somehow be dampened. Such a scenario could again agitate prices at a time the government has successfully arrested the rise in the inflation rate as part of IMF-imposed targets.

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PHILIPPINES

DEBT REPAYMENT IN PESOS; LOANS FOR SALE

HK020043 Quezon City BUSINESS DAY in English 1 Jul 86 p 3

[Article by Conrado R. Banal III]

[Text] The Central Bank [CB] is working on a scheme that will allow the country to repay part of its foreign debts in pesos. Under this scheme, the pesos will be invested in local businesses. The plan therefore will benefit the country in two ways: it will reduce interest payments on foreign debts and it will allow the entry of more foreign investments.

Bankers are saying however that the scheme still has loose ends. The Aquino government for instance has to make the plan attractive enough for foreign money to come in, and this may necessitate a complete package of business reforms. The government may also have to get the go-signal from foreign banks with lendings to the country before proceeding with the plan.

Sources said the CB has drafted a circular which will put the plan in motion. Some bankers claimed to have seen it. But it is "not yet final," CB Senior Deputy Governor Gabriel Singson said.

The CB apparently is waiting for CB Governor Jose B. Fernandez, Jr. before it presents the circular to its policy-making Monetary Board. Fernandez is currently on vacation in the United States.

In effect, the idea is to convert part of the country's \$26-billion foreign debts into local investments.

There are foreign banks willing to sell their Philippine loans at a loss. Manila-based foreign bankers noted that some banks abroad have actually taken Philippine loans out of their books. "These are the banks in the fringes, with a couple of million dollars in loans to the Philippines. They have no business staying here in the first place. They want to get out even at a loss and to stay out for good," an American banker said.

Others said Philippine loans can be sold at between 25 percent and 35 percent less than their face values. Such a sale is being done, at a small scale, with regard loans [as published] to Mexico and Brazil, which are also debt-ridden countries.

Whoever buys the Philippine loans can turn around to the CB and sell them for pesos, at their face values. The foreign bank's loss becomes the buyer's gain. It is therefore possible for such discounted Philippine loans to attract buyers among foreign firms planning to invest here. Dollar for dollar, they can get more pesos.

To many bankers, however, the discount should just be one of the come-ons. They said the discount is something which foreign banks give, and the Philippine Government itself must do its share.

Foreign firms, or even Filipinos with wealth stashed abroad, apparently want more attractions. Bankers noted that the government has to improve local business conditions, such as by pacifying the labor sector and reducing power rates. They said the incidence of labor strikes is rising and the labor sector is growing more militant. The country's power rates are also the highest in Southeast Asia, they said. "It boils down to whether or not foreign investors can make money here," one said.

According to talk in banking circles, buying and selling of Philippine loans are already being done in Hong Kong and the U.S. foreign bankers contacted by BUSINESS DAY nevertheless said they "seriously doubt" whether any such deals have actually been made.

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PHILIPPINES

GOVERNMENT CENTRAL BANK BORROWINGS 'DRASTICALLY REDUCED'

HK010500 Manila PHILIPPINE DAILY INQUIRER in English 26 Jun 86 p 7

[Article by Oscar Quiambao]

[Text] The Aquino government has in the past month drastically reduced its borrowings from the Central Bank [CB] in what financial authorities said was a "conscious effort" to bring down this year's expected budgetary deficit--earlier projected to reach P32.5 billion--to between P26 and P30 billion.

Statistical indicators released for the week June 2 to 6 said that outstanding CB credits to the national government were at a record low of P7.889 billion, down P4.63 billion or 37 percent from P12.519 billion of a month ago. The latest level was P2 billion lower than the week before and P2.45 billion less than government borrowings from the CB at the same week in 1985.

The 7.9 billion recorded in the first week of June was only about a third of the peak of P20 billion throughout most of the first quarter of 1986 because of the massive election spending by the previous regime.

The figures showed that the belt-tightening measures adopted by the Aquino government began to be felt only in early June. CB officials said the drastic reduction in government drawings from the CB also indicates the state has been receiving fresh money probably from new loans and revenues.

The government's move away from its regular borrowing windows at the CB, according to the same officials, also helped bring down the inflation rate, which is projected to reach an all-time low of 0.7 percent this month from about 2 percent last month.

They explained that government borrowings from the CB to finance its deficit was inflationary because it creates new money, unlike borrowings from the commercial banking system which simply involves the transfer of funds from the banking system to the national treasury.

The cut in the state's borrowings also resulted in the drop of the CB's reserve money from a high of more than P40 billion in March to only P38.2 billion during the first week of June.

With the reduction of money in the market, the CB saw less need for efforts to siphon off liquidity and accordingly reduced the rates on its debt instruments. The rates on treasury bills, for example, have been brought down from an average of 16.5 percent last month to an average of only 14.5 percent at present.

The CB indicators also showed the Jobo bills of from 35 to 100 days maturity have not been selling for 2 weeks since the end of May primarily because of their low rates. As of June 6, T-bills of from 35 to 91 days remained unsold.

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PHILIPPINES

TOURISM ADDED TO MINISTRIES TO BE ABOLISHED

HK040626 Manila THE MANILA CHRONICLE in English 3 Jul 86 p 1

[Article by staff member Cristina del Carmen-Pastor]

[Text] Tourism has been added to the ministries that will be abolished. That makes it three ministries, the two others being Information and Human Settlements.

A source at the President Commission on Government Reorganization (PCGR) says several other offices will have to go.

The shake-up is intended to trim excess fat in the bureaucracy, put an end to overlapping functions and make it perform promptly and efficiently.

It will also steer the government away from areas where it has been competing with private enterprise.

The PCGR, headed by former Assemblyman Luis Villafuerte, will present the reorganization plan to the president at a cabinet meeting tomorrow. "The idea is to trim Marcos bloated bureaucracy, no matter who gets hurt in the process," the source told the CHRONICLE yesterday.

This is the first time the Ministry of Tourism has been mentioned as among the offices likely to be abolished. The Ministries of Information and Human Settlements were already considered candidates for abolition as early as March, shortly after President Aquino assumed power.

Under the Marcos regime, some government offices were created for "political patronage and accommodation," the source said, quoting a portion of the report.

Thus, the Human Settlements Ministry was established for the former First Lady, Imelda Marcos, and the Tourism Ministry for the deposed president's "good friend," Jose Aspiras.

The Human Settlements Ministry duplicated the functions of the Social Services, Local Governments, Public Works, and Agriculture Ministries, the source said.

President Aquino created the reorganization office under Executive Order 5 to streamline the government structure.

The Marcos government had been severely criticized for centralization of powers (in the presidency), inefficiency, graft and corruption, "ambiguous authority," and low wages.

It had come to a point, the source said, where working with government then was no longer a source of pride.

On the government's ambiguous authority, he said: "There was no clear delineation between commissions, bureaus, institutions, boards, councils, authorities, agencies, centers, staffs, etc."

Among all countries, the source said, the Philippines has the most number of ministries at 29. Most countries only have 12 or 13.

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PHILIPPINES

COTABATO DESCRIBED AS COUNTERINSURGENCY SUCCESS STORY

HK010707 Manila PHILIPPINE DAILY INQUIRER in English 27 Jun 86 p 17

[Article by Anselmo S. Roque]

[Text] Kidapawan, Cotabato--For many residents of this town, the 3 years that began with the drought in 1983 and ended with the 4-day people's revolt in February, were like a bad dream.

Cotabato then was considered one of the most troubled provinces in Central Mindanao, and this capital town, the most violence-prone--next to Davao City--with an average of 50 deaths reported every month. Most of the deaths occurred during ambushes, believed perpetrated by the New People's Army (NPA).

Aside from the NPA, Cotabato also feared the so-called Lost Command, composed of army deserters. Talk was that the group was an unofficial unit of the armed forces, licensed to kill suspected communists.

Still a third group of terrorists was an extortion and kidnapping syndicate whose members often passed themselves off as NPA's.

Today, the residents have awakened from this nightmare, and only the trial of those accused in the murder of Italian priest Tullion Favali in nearby Tulunan town reminds them of those violent 3 years.

They attribute this to the success of the government's anti-insurgency campaign.

Gone are the military checkpoints on the highway linking Davao City and Kidapawan, 120 kilometers away. Instead, a traveller is likely to see young men playing basketball or in the early evening, run into a flores de Mayo procession.

The most amazing sight, though, is that of soldiers in uniform attending barrio dances. Since they are no longer sent on search-and-destroy missions, they are confined to routine patrol.

To pass the time, soldiers do some gardening in their camps, taking pride in their new mission to "love and serve the people."

The task of keeping peace in the town is now left mainly in the hands of the local police and the Civilian Home Defense Force, which the residents agreed to retain to assist the constabulary and the police.

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PHILIPPINES

OUSTED TRIBAL LEADER DEMANDS 'NEW PROVINCE'

HK020654 Hong Kong AFP in English 0643 GMT 2 Jul 86

[Text] T'boli, Philippines, July 2 (AFP)--A tribal leader ousted by President Corazon Aquino as mayor of this violence-scarred town has demanded the creation of a new province for his people and vowed to fight back if provoked.

Mai Tuan, protected by some 100 armed men, spoke to local reporters in a mountain rendezvous Tuesday as the death toll from violence in the town rose to 19, the last victim a 12-year-old girl beheaded Tuesday by an unknown killer.

Classes in local schools have been suspended for the past week due to violence since Mr Tuan was replaced as T'boli mayor last month by a Christian settler as part of a nationwide purge of supporters of deposed President Ferdinand Marcos.

Mr Tuan said he no longer wanted to be reinstated as mayor, his earlier demand when he fled to a mountain hideout, but said that the government should create a new province out of T'boli and four nearby towns.

The T'bolis are a non-Moslem tribe in Mindanao Island, where tribes converted to Islam form the main minority in a largely Roman Catholic nation.

The Manila government should create a new ministry for tribal minorities separate from the current one dealing mainly with Moslem affairs, Mr Tuan said.

Mr Tuan said he did not want to fight the military, which Mrs Aquino has used to install caretaker provincial governors and city and town mayors until elections set for early 1987.

"But if the government will be too greedy not to grant or consider our request and if it will throw the matter to the military and we will be pushed to the wall, I think we have no choice but to do an about-face and fight."

He denied charges that his men were responsible for a rash of killings here.

"Even Christians fight each other. Just because the weapons are bolos (long knives used in the provinces) does not mean the killers are T'bolis, much less my men," he said.

He denied any links with other warlord politicians in Mindanao and claimed that his armed supporters numbered 1,500 to 3,000.

Civilian and military officials could not be reached for comment.

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PHILIPPINES

MUSLIM GROUPS FAVOR AUTONOMY FOR MINDANAO

HK011601 Manila PHILIPPINES DAILY INQUIRER in English 30 Jun 86 pp 1, 2

[Article by Bing Formento]

[Text] The Muslim Democratic Party-United Moro Nationalist Organization [MDP-UMNO] has launched a campaign to solicit 100,000 signatures to endorse the "pro-peace" resolutions filed separately in the Constitutional Commission [Con-Com] by Ahmed Domocao Alonto of Lanao del Sur and former Labor Minister Blas Ople.

Hadji Limpasan Idjirani, chairman of the MDP-UMNO, a legal political party known to have close connections with the Misuari faction of the secessionist Moro National Liberation Front (MNLF), revealed the plan yesterday.

According to Idjirani, the Alonto resolution seeks the establishment of an autonomous government in Mindanao, following the provisions of the 1976 Tripoli Agreement. The Ople resolution calls for the grant of Mindanao autonomy, saying the "problem (in the South) is a special case and its uniqueness merits a special explicit mention in the new constitution."

Idjirani pointed out that the apparently pro-Bangsa Moro (the term used by secessionists to describe their "homeland") people's emancipation contained in both resolutions shows the existence of a democratic atmosphere in the administration of President Aquino.

"Hence," Idjirani said, "this will afford non-MNLF sectors of Bangsa Moro people a fresh and viable alternative through which they can avail themselves of ink instead of blood in their search of autonomy and independence."

Idjirani added, "At no other hour in the contemporary life of the Bangsa Moro people will they collectively support and rally behind Con-Com members Alonto and Ople."

Idjirani said he shares Ople's observation that the national government can assist the Moro people in seeking a constitutional guarantee for securing their ancestral homeland from political manipulation and economic exploitation.

On the Philippine claim over what is now the East Malaysian state of Sabah, Idjira emphasized that his party's support for dropping the claim is premised on assurances on the protection of the legal rights of all rightful heirs of the Sultanate of Sulu which has a historical ownership over the territory.

"Sabah has remained part and parcel of the territorial domain of centuries-old Sulu Sultanate as evidenced by the continued payment of padjak (lease) money by the Malaysian government to the legally-recognized Sultanate heirs," Idjirani said.

He also clarified reports that the final dropping of the Philippines' claim over Sabah might prove beneficial to the "reactivated Sultanate of Sulu" under the present Sultan Mohammad Jamalul Kiram III.

"A Moro," he said, "is a Malay and all Malays are religiously bound to protect and preserve Islamic solidarity and brotherhood."

Idjirani lauded Ople's resolution since it recognizes that Mindanao and Sabah are natural economic partners and demographically complementary, and that closer cooperation "can drive the economic development of both to the mutual benefit of the Philippines and Malaysia."

"It is Ople's formal stand on the Sabah issue," Idjirani said, "that has inspired the MDP-UMNO to cast its political support behind Ople, firmly believing that the realization of a more cordial and strengthened cultural economic-political-diplomatic relationship between the Federation of Malaysia and the Republic of the Philippines can be established."

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CSO: 4200/1195

PHILIPPINES

ARMED FORCES TO MANAGE ARMS MANUFACTURERS

HK300846 Quezon City BUSINESS DAY in English 27 Jun 86 p 20

[Article by Joel D. Lacsamana]

[Text] The New Armed Forces of the Philippines (NAFP) plans to take over the management of arms and ammunition suppliers and manufacturers involved in the alleged dubious transactions under the Self-Reliance Defense Program (SRDP), ranking military sources told BUSINESS DAY yesterday.

They, however, declined to reveal the names of these arms suppliers.

The planned move of the NAFP appears contradictory to Defense Minister Juan Ponce Enrile's statement that there should be less government intervention in the affairs of the private sector.

Military sources said that the planned move however will allow NAFP to monitor closely the local arms and ammunition industry on which the NAFP largely depends for its military supplies and armaments needs, they said.

In this way, the NAFP will have control of at least the production, quality control, delivery and product utilization of the local arms industry, they said.

This will also minimize--if not totally eradicate--alleged anomalous transactions that marred the 13-year old SRDP, particularly during the period under former AFP chief, Gen Fabian Ver, the sources said.

One of the "more forceful reasons, however, for the NAFP's projected move towards a management takeover of companies under the SRDP, is the "real fear" that the SRDP may serve as a "possible conduit" by which enemies of the state could engineer sabotage operations against the NAFP by way of defective, if not booby-trapped armaments and ammunition," the sources revealed.

The NAFP is in the midst of an insurgency campaign that could potentially escalate to conventional-warfare proportions before the end of the year, they noted.

The possibility of arms and ammunition sabotage by infiltrating groups is a very real concern of the military leadership, they added.

Recent reports revealed that the former leadership of the AFP under Ver had entered into highly questionable transactions with favored arms and ammunition suppliers. This allegedly has resulted in the military losing nearly half a billion pesos since 1974 when the SRDP was conceived.

The SRDP scheme was embarked upon by the military at the time to keep the AFP self-sufficient in modern armaments and ammunition.

Sources said the said program achieved some of its objectives, particularly in providing the AFP a substantial measure of its military supply needs.

It, however, failed to a large extent due to two main factors: the AFP lost millions of pesos in delinquent and non-existent deliveries by incompetent but favored manufacturers, and many contracts were overpriced, which sources suspected were due largely to unofficial kickbacks and commissions.

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CSO: 4200/1195

PHILIPPINES

\$42 MILLION NEEDED FOR THERMAL PLANT REPAIRS

HK021557 Manila THE MANILA EVENING POST in English 1 Jul 86 p 8

[Article by Marianne Go]

[Text] The National Power Corp. (Napocor) will need an additional \$42 million for the acquisition of necessary spare parts in the repair of its damaged thermal plants.

According to a Napocor spokesman, at least \$61 million is needed for the repair of its Malaya, Sucat, and Manila generating units.

The government power corporation has only \$19 million to buy the necessary spare parts.

The Napocor spokesman said the breakdown of the three generating units and its auxiliaries, plus the critical level of the country's existing hydro plants, had contributed to the series of brownouts affecting the Luzon grid.

The 2-hour rotating brownouts are expected to last until July 18.

It was pointed out that the Napocor's thermal plant had broken down because of overuse and is badly in need of repair.

The expected rains which did not materialize have, likewise, prevented the operation of the Ambuklao and Binga generating units.

The Angat reservoir has enough water only for normal consumption but cannot generate the needed electricity.

Pantabangan, it was added, is not also operating, while the Magat generating station only has two units operating.

The Napocor spokesman said government officials had anticipated the eventual breakdown of its generating units and had expected to fund the acquisition of spare parts and the repair of the damaged generating units with its collectibles from the Manila Electric Co. (Meralco).

Meralco owes Napocor P2.1 billion while a group of electric cooperatives also owe the government power company some P700 million.

Napocor, the spokesman said, has been forced to revise its projected cash deficit this year from P6 billion to P7.8 billion as a result of its growing receivables.

Last month's figures show that Napocor's receivables amounted to P4.9 billion already.

The government power station, however, might be relieved of about P4.1 billion of its projected deficit this year if the government takes over the assets and liabilities of the mothballed Bataan nuclear power plant.

The Napocor spokesman also reiterated the need for the government to immediately decide on the construction of a replacement coal-fired power plant for the 620-megawatt nuclear power plant.

It was stressed that with the breakdown of the Napocor's existing generating units, the power situation might become worse if no additional power generating plants are built within next year.

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CSO: 4200/1195

PHILIPPINES

EXPORT DUTIES ABOLISHED ON ALL PRODUCTS EXCEPT LOGS

HK030555 Manila Far East Broadcasting Company in English 2300 GMT 2 Jul 86

[Text] President Aquino has abolished all duties on all export products except logs to promote export industry in the country. More on this from FEBC correspondent Al Dovar:

[Begin recording] President Corazon Aquino has abolished export duties on all export products except logs effective July 1st 1986. Export duties on logs will continue up to (215 percent) of their cost free of port values at the time of shipment based on the prevailing rates of exchange. The president took the step as a major policy change through Executive Order No 36 signed July 1st 1986 and released today.

In issuing the order, President Aquino pointed out that the current economic program calls for promotion of exports and that it was necessary to abolish export duties imposed under section 514 of the Tariff and Customs Code and amended. The removal of duties on export products was part of the government's tax reform program package designed to hasten economic recovery and sustain growth on the long haul. Although the measures would mean a loss of some 1.3 billion pesos a year, the expected improvement of performance of exporters in the world market and its effect on the country's overall trade balance would more than make up for the revenue shortfall. Al Dovar, FEBC news, Malacanang. [end recording]

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CSO: 4200/1195

PHILIPPINES

NPA REBELS BURN LOGGING EQUIPMENT IN CAGAYAN

HK040517 Quezon City BUSINESS DAY in English 3 Jul 86 p 13

[Text] Some P17 million worth of logging equipment of Taggat Industries, Inc. in Claveria, Cagayan were burned last month by more than 100 armed men and women believed to be members of the New People's Army (NPA).

Taggat Industries is owned by Alfonso Lim, Sr. and operates in over 80,000 hectares of logging area in Cagayan. It has been sequestered by the Presidential Commission on Good Government (PCGG) on suspicion that it is partly owned by Ferdinand Marcos. Recently, the Ministry of Natural Resources ordered a suspension of the firm's operations because of a number of violations.

Carlos B. Sagucio, legal counsel of Taggat Industries, said in a statement the rebels put firewood underneath the company's trucks and machinery and poured diesel fuel on them as they set them on fire.

Among the equipment burned were two bulldozers, six yarders, three trailer trucks, a dump truck, and a service jeep.

Taggat Industries officials said they refused to pay P4 million in "taxes" levied by the NPA.

In a letter to the logging firm dated May 12, 1985, the NPA regional operational command in Cagayan Valley asked that the amount be paid in two installments--P2 million for arrears and P2 million as deposit for the 1985 logging season.

The NPA letter, signed by a ka Sidro, also asked for information on the kind and number of machines used for Taggat Industries' operations, names of subcontractors, and their respective machinery.

Taggat Industries is involved in the counterinsurgency campaign in Cagayan. It provides food and allowances, sometimes arms, to 150 military men and 50 private security guards who keep watch over the area and serve as deterrent to the NPA, company officials said.

Sagucio said the NPA raiders were armed with M14's, M16's, M203's, Carbines, and shotguns.

Soldiers from the 50th Infantry Battalion, camped at Claveria, and the Civilian Home Defense Forces (CHDFS) chased the rebels but failed to find them, Taggat Industries officials said. They said the rebels had gone to Kalinga Apayao.

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CSO: 4200/1195

PHILIPPINES

BRIEFS

FIRST QUARTER TRADE DEFICIT--The country suffered a deficit of \$149 million in its external trade in the first 4 months of 1986, with imports of \$1.634 billion eclipsing export income of only P1.485 billion, latest statistics from the Central Bank revealed. The January-to-April export figure is 2.6 percent down from the P1.525 billion registered in the comparative period in 1985. The deficit in the balance of trade is expected to widen by the end of the year as the lifting of the trade import control could result to more importations. The government expects to earn about \$4.6 billion from exports but is unsure about the import figures because of the trade liberalization program. Based on the CB statistics, total exports for April alone stood at \$396 million, a 3.8 percent drop from March's \$412 million. April's imports amounted to \$414 million, bringing the deficit for the period at \$18 million. The cumulate 4-month exports figures showed that non-traditional products like electronics, garments and furniture and fixtures remained the country's top dollar earners accounting for \$1.04 billion in total earnings. Traditional export products like coconut, sugar and forest products contributed a measly \$416 million during the period under review. The bulk of the country's imports, meantime, went to raw materials and intermediate goods like wheat, chemicals and urea with a total value of \$239 million. Capital goods such as electrical machinery and transport equipment amounted to \$66 million while mineral fuel and lubricants amounted to \$51 million. Consumer goods like food and beverages totalled \$37 million. [Text] [Manila PHILIPPINE DAILY INQUIRER in English 27 Jun 86 p 7] /9599

CONSTITUTION PANEL 'INDEPENDENT'--Cebu, Philippines, 29 Jun (AFP)--A member of a panel drafting a new Philippine Constitution said Saturday that the new charter will be drawn up "pretty free from pressure" from communists and other groups. "It is not surprising for many people to try to exert influence on the Constitutional Commission," Napoleon Rama, the 48-man panel's floorleader told a news conference in this central city. He said the commission would ensure that the new constitution would be "pretty independent and pretty free from pressure" from any interest group. A self-styled Communist Party of the Philippines (CPP) leader, Urbano Cruz, told AGENCE FRANCE-PRESSE here Friday that communist insurgents were involved in the drafting process through legal front groups who attend hearings held by the panel. But Mr Rama said the commission was "not really influenced" by the rebel movement although he acknowledged that some views similar to CPP proposals may be aired at public hearings. The commission earlier held a public hearing here attended by some

650 people. Mr Rama said that was the largest turnout so far. [Text] [Hong Kong AFP in English 0902 GMT 29 Jun 86] /9599

NPA LEADER KILLED--A suspected New People's Army rebel leader with a P30,000 prize on his head was shot and killed by a constabulary soldier in Iloilo City yesterday. Killed was Jose Estocada, Jr., alias "vencer," allegedly a member of the dreaded NPA "Agaw-Armas" squad. A report received by Brig Gen Renato de Guia, PC-INP [Philippine Constabulary-Integrated National Police] chief, said the victim, armed with a knife, attacked T/sgt Wilfredo Pamplona as the soldier was walking along Gen Lim Ave in downtown Iloilo City. Pamplona shot Estocada before the rebel could harm him. The Ministry of National Defense offered a P30,000 prize on Estocada's head in Order No 118 issued in 1983. In Lutayan, Sultan Kudarat, four Moro National Liberation Front rebels were killed and several wounded in a gunbattle Friday with government troopers in an interior baranggay near the border between south Cotabato and this province. Col Orlando Soriano, 1st brigade army commander, said police, PC and army soldiers attacked a van of MNLF rebels near baranggay Mamili, Lutayan, this province who had been terrorizing for the past weeks Christian families in nearby localities. The hour-long firefight resulted in four rebels killed and several others wounded. The slain rebel band carried their wounded but left several firearms in their haste. An army corporal of the 3d infantry battalion identified only as Melo was wounded in the clash and was airlifted to a provincial hospital in Koronadal Town, South Cotabato. [By Buddy Ramos] [Text] [Manila THE NEWS HERALD in English 1 Jul 86 p 3] /9599

NEW MANILA AIRPORT MANAGER--Acting Manila International Airport (MIA) manager Romeo Santos is being relieved of his position effective tomorrow, a highly placed Malacanang source disclosed to the INQUIRER. This same source said Santos' replacement is former Bureau of National and Foreign Information officer-in-charge Reli German. The source said the formal announcement of Santos' replacement will be made at tomorrow's meeting of the MIA board of directors headed by Transportation Minister Hernando Perez. The source said President Aquino had a closed-door conference with Santos and German yesterday at Malacanang. Santos had become a controversial figure since he took over at the MIA over 4 months ago. His reported "clashes" with former Manila Mayor Ramon Bagatsing and movie queen Susan Roces over their presence in the highly restricted customs arrival area have been a "cause celebre" for reporters. His other problems included 52 estafa cases which are pending in several Bicol courts. [Text] [Manila PHILIPPINE DAILY INQUIRER in English 1 Jul 86 p 1] /9599

NEW ENVOY TO NEW ZEALAND--Ambassador Eduardo Montilla is the new Philippine envoy to New Zealand. Prior to his appointment, Montilla was assistant minister for protocol at the MFA [Ministry of Foreign Affairs]. A career diplomat for 39 years, Montilla first joined the diplomatic service in 1947 as assistant attache in Washington, D.C. He had been assigned to Bonn, Madrid, New Delhi, the Vatican, and Caracas before returning to Manila last February. [Text] [Manila THE MANILA CHRONICLE in English 1 Jul 86 p 2] /9599

NBI AGENTS TO SURRENDER ORDERS--National Bureau of Investigation (NBI) Director Jesus Antonio Carpio today issued an ultimatum to all NBI confidential agents designated by then NBI Director Jolly Bugarin to surrender their mission orders, memorandum receipts, and firearms. The confidential agents were given 1 month starting today to comply with the order or else arrest orders would be issued against them. Carpio was irked by reports that several persons, whose official connections with the NBI should have been terminated when he took over as director 2 months ago, are still moving around, using the NBI as their mother agency. An importer claimed that a group led by a man who introduced himself as an NBI confidential agent stopped his shipment minutes after it was cleared at the Manila South Harbor. The group which turned out to be a gang of hijackers, told the importer to follow them to the main office of the NBI on Taft Avenue in Ermita. The importer was surprised to find out later the men were connected with the NBI. The shipment was gone. Certain former employees of the NBI mostly with titles as confidential agents but whose services were considered terminated, continue to transact business at the NBI. These unscrupulous persons, NBI officials said, have become fixers, and their continued stay poses danger to the Aquino administration, the officials added. The NBI is undergoing a complete overhaul and the new NBI director, a prominent human rights lawyer, promised to restore the lost good image and prestige of the NBI tainted with politics during the past regime. At least seven NBI agents holding top positions have resigned since the start of the overhaul last month. [Text] [Manila THE MANILA EVENING POST in English 1 Jul 86 pp 1, 3] /9599

SIN URGED TO OPPOSE OVERTURES--Former member of parliament and Marcos supporter Rafael Recto says Cardinal Sin should openly oppose communist overtures for a coalition government. Recto spoke at the launching of the Kapihan ng mga Loyalists [Coffee With the Loyalists] at Sulo Hotel: [Begin recording] All this time that Joma Sison and Buscayno are talking about the wonderful life under communism and that there will be a straight coalition between the government and the NPA and the communists, what is the church saying? What is Cardinal Sin saying? Nothing. [end recording] [Text] [Manila Far East Broadcasting Company in English 2300 GMT 1 Jul 86] /9599

COCONUT AUTHORITY RESIGNATIONS--Four military men having key positions in the Philippine Coconut Authority (PCA) have resigned their posts. They requested however that they be allowed to hold office for 6 months. PCA Administrator Col Felix Duenas tendered his resignation. The three others were Maj Eduardo Gador, deputy administrator, industrial research and market development; Lt Col Rolando Floria, manager, agricultural development; and Capt Romeo Roderos, manager, market development. The four officials were reported to have been in the PCA since 1977 and were recruited by Defense Minister Juan Ponce Enrile, who was then a prominent figure in the PCA organization. The resignation of the military men followed a request from Malacanang coursed through Santos to remove the military men from the PCA. Under civil service rules, no government employe may be detailed longer than 1 year without prior approval by the Civil Service Commission. Sources said Santos did not commit any assurance to extend their official terms. PCA officials found their

requests for extension as "unusual." [Text] [Quezon City BUSINESS DAY in English 2 Jul 86 p 24] /9599

JAPANESE DELEGATION ARRIVES--An eight-man Japanese delegation arrived yesterday to discuss with government officials this year's technical cooperation program under the official development assistance (ODA) scheme as a follow-up of the pledge given by Japanese Foreign Minister Shintaro Abe that Tokyo will intensify aid to the Philippines. Heading the Japanese delegation is Akira Hayashi, director of the aid policy division, Economic Cooperation Bureau of the Ministry of Foreign Affairs. Accompanying him are five officials of the Ministry of Foreign Affairs and one official each from the Ministry of International Trade and Industry, who will be an observer, and the Japan International Cooperation Agency. The delegation will meet with officials of the National Economic and Development Authority (NEDA), led by Assistant Director General Romeo Reyes, and officials of the proponent agencies today and tomorrow to discuss details of the 1986 technical cooperation program. Also included in the delegation's agenda are discussions regarding Japan's grants-in-aid to the Philippines. [Text] [Quezon City BUSINESS DAY in English 2 Jul 86 p 11] /9599

GROUP OPPOSES CORDILLERA AUTONOMY--Baguio City--The Kalingas in the province of Kalinga-Apayao are not in favor of an autonomous Cordillera region. They want an administrative Cordillera region, a press statement from the Kalinga-Bodong Association said. Members of the Kalinga Bodong Federation (KBF) presented a paper on an administrative set-up for the Cordillera region, which some 1,500 delegates representing various ethnic groups approved during a Kalinga Bodong convention held last month. The convention rejected the autonomous Cordillera region proposed by the Cordillera People's Alliance (CPA) and the Cordillera People's Liberation Army (CPLA) headed by Fr. Conrado Balweg," the KBF statement said. The KBF opposes autonomy because: --The territorial delineation of the proposed Cordillera regional autonomous government, if based on ethno-linguistic groupings, will fragment existing political units such as the provinces of Abra, Kalinga-Apayao and others where tribal communities exist. --Autonomy will not work out among the Cordillera ethnic groups because these groups do not have common tribal laws to govern the region. Besides, the "bodong" or peace pact is known only in Kalinga, in some tribal communities in Abra, and in the northern and eastern portions of Mt Provinces. --Regional autonomy is divisive because it implies a separate government within the government of the Republic of the Philippines. [Text] [Quezon City BUSINESS DAY in English 2 Jul 86 p 22] /9599

MOVE TO INCREASE PRESIDENT'S SALARY--The president of the Philippines may no longer have to make do with a hairstylist's income. A plan is afoot to increase the president's salary from P8,000 to P100,000 a month. The increase is recommended in the reorganization plan just completed by the Presidential Commission on Government Reorganization (PCGR). "Let's admit it, her salary is unrealistically low," a PCGR source said. The source did not say it, but it was inferred that the salaries of cabinet and other government officials may also be increased. Low salaries were blamed for the inefficiency and massive graft and corruption that plagued previous administrations. In the

Marcos regime, the source said, cabinet officials were allowed to hold "multiple positions" to augment their incomes. To name a few, he said, then Trade and Industry Minister Roberto Ongpin held positions in 40 government firms; the former first lady, Imelda Marcos, 31; former Energy Minister Geronimo Velasco, 43; and former Education Minister Jaime Laya, 25. [Text] [Manila THE MANILA CHRONICLE in English 3 Jul 86 p 1] /9599

CONCOM TO ABOLISH DEATH PENALTY--Manila, 3 Jul (AFP)--The death penalty is likely to be abolished soon in the Philippines, a member of the presidential commission drafting a new constitution said here Thursday. A special panel of the 48-member commission voted Wednesday for the abolition of the death penalty, and a resolution will be presented to the entire body for approval shortly. "The resolution has very good chances of being approved," Commissioner Edmundo Garcia told AGENCE FRANCE-PRESSE. If the resolution is approved by the whole commission, it will be included in the constitution, which the commission is scheduled to finish in 2 months' time, after which it will be presented to voters for ratification. Existing death sentence would automatically be commuted to life imprisonment if the death penalty were abolished, the resolution said. Executions in the Philippines have generally been carried out by electric chair in the past few decades, but a Filipino-Chinese drug dealer, Lim Seng, was executed in 1973 by firing squad while the country was under martial law. Spokesmen of the Justice Ministry, which is in charge of prisons, could not be reached for comment but informed sources said only one convict had been executed since the Lim Seng case. The MANILA CHRONICLE newspaper said hundreds of convicts were currently on death row, and added that the banning of the death penalty could mean an overhaul of the whole legal system. [Text] [Hong Kong AFP in English 1044 GMT 3 Jul 86] /9599

EDITORIAL ON MEDIA CONSTRAINTS--Some quarters in the Constitutional Commission [Con-Com] insist on putting constraints on the media in the guise of democratization. This is rather surprising, considering the atmosphere of freedom that gave birth to the Con-Com itself. One proposed constraint is to compel the owners of media establishments to share their ownership with their workers. This proposal violates the principle of free enterprise. It would discourage investments in media, resulting in less employment; for there are entrepreneurs, especially the small ones in the provinces, who would not like to share ownership of their enterprises with their workers as this would mean too many cooks that might spoil the broth. Media establishments and workers should be left free to decide the arrangement, because conditions vary from establishment to establishment. A constraint on media ownership would in effect be a limitation on press freedom because it limits the vehicles for the dissemination of information. Modern media are capital-intensive industries and the state should be careful it does not inhibit media entrepreneurship as technology marches on. In any case, the constitution is meant to state principles and such things as sharing media ownership should be left to the legislature. It is hoped the wise men in the Con-Com will uphold the principle of press freedom without the above constraint. [Text] [Manila MANILA BULLETIN in English 3 Jul 86 p 4] /9599

DEPUTY TRADE, INDUSTRY MINISTERS--President Aquino yesterday named four deputy ministers of the reorganized Trade and Industry Ministry. The new officials are Tomas Alcantara, deputy minister for industry and investments; Ceferino Follosco, regional operations; Raul Boncan, international trade; and Board of Investments [BOI] Governor Lilia Bautista, administrative, financial, and legal services. Follosco and Boncan were also appointed governors of the BOI, the government's investments regulatory body under MTI [Ministry of Trade and Industry], while Alcantara was named BOI vice chairman. [Excerpt] [Manila MANILA BULLETIN in English 4 Jul 86 p 1] /9599

AIR FORCE TO PURCHASE 24 JETS--A U.S. company specializing in the manufacture of jetfighter planes and two other Philippine-based aircraft firms tendered bids to purchase 12 of the Philippine Air Force's [PAF] F-8H fighter jets for about P20 million, military sources told BUSINESS DAY yesterday. The P20-million proceeds will be used by the PAF as an initial down payment for 24 new jets to be used for its external defense program. PAF plans to buy 21 new F-5E fighters and three F-5F training jets from at least three possible sources: Saudi Arabia, Thailand, and South Korea, the sources said. The F-8H's which PAF plans to sell were procured through contingency measure by the Marcos government in 1977 when the country could not at that time afford modern aircraft. Sources said the purchase of these F-8H's is considered bad transaction because aside from being expensive, the aircraft are considered as Navy carrier jets and not Air Force fighters. [Text] [Quezon City BUSINESS DAY in English 4 Jul 86 p 10] /9599

HUMAN RIGHTS INSTRUCTION--Manila, 4 Jul (AFP)--President Corazon Aquino Friday ordered the teaching of human rights in all Philippine schools. Mrs Aquino also ordered the Defence Ministry to include the study of human rights in all police and military training programmes and to include the subject in civil-service entry examinations, the presidential palace said. A palace press statement said the chief executive issued the order, to take effect immediately, because "she wanted no repetitions of the numerous human rights violations under the past regime." The Education Ministry and the Presidential Commission on Human Rights plan to inform students about the role of international conventions on human rights to which the Philippines is a signatory, the statement said. The move came a day after Mrs Aquino banned the use of torture against communist New People's Army (NPA) guerrillas. Mrs Aquino told a seminar of military and police commanders Thursday that she "will not tolerate the use of torture" and condemned it as a "hideous practice..." Torture and other abuses under the regime of deposed President Ferdinand Marcos helped fuel an insurgency led by the 16,500-strong NPA which Mrs Aquino is now [words indistinct] end by initiating ceasefire talks, observers said. [Text] [Hong Kong AFP in English 1342 GMT 4 Jul 86] /9599

ARGENTINE PRESIDENT TO VISIT--Argentine President Raul Alfonsin is going ahead with his planned visit to the Philippines despite the unrest sparked off by an opposition attempt yesterday to oust President Aquino. Argentine Foreign Minister Dante Caputo said his government was in touch with the situation through his embassy in Manila and there is no reason to suspend the visit. President Alfonsin is due to begin his visit on Thursday. The trip will take

him to Japan, New Zealand, and Philippines, Australia, Saudi Arabia, and Portugal. [Text] [Quezon City DZFM Radio in English 0300 GMT 6 Jul 86] /9599

FORMER CPP LEADER GETS AWARD--Jose Maria Sison, former chairman of the outlawed Communist Party of the Philippines (CPP), said he will visit Bangkok in October to receive one of this year's SEA Writes Awards. Sison, who spent nearly 10 years in prison during the Marcos Government, has been chosen for the annual award to the Philippines in the field of poetry. Described as a "diehard ideologue" by the Philippine Armed Forces, Sison was released from jail soon after President Corazon Aquino assumed power in February this year. "My only weapon was my pen and my tongue," said the 47-year-old father of four children who is now considered as an unofficial spokesman of the communist movement. Sison, who was imprisoned at Marcos' order in 1977 on charge of subversion, has been a well-known poet and author. He continued writing and speaking out against the dictatorial regime of former President Marcos even while he was in prison. Sison has declined to discuss his ties with the CPP, saying that he is only engaged in "legal activities." Sison said he will be arriving in Bangkok on October 6 from Australia to receive the award in a ceremony to be held at the Oriental Hotel. [Text] [Bangkok THE NATION in English 7 Jul 86 p 1] /9599

CSO: 4200/1195

THAILAND

ARMY CALLS CANDIDATE KOSON A COMMUNIST

Bangkok SIAM RAT in Thai 5 Jun 86 pp 1, 12

[Unattributed report: "Second Army Area Denies That It Tried To Frame Anyone, Charges That Uthai Has Exaggerated the Reports About the Search of Koson's House"]

[Excerpts] Maj Gen Phaibun Hongsinlak, the chief of staff of the 2d Army Area, talked with SIAM RAT about the search of the house of Dr Koson Sisang, a Progressive Party candidate from Maha Sarakham Province. He said that "we are very upset about these reports, because there was no intention of persecuting anyone."

Maj Gen Phaibun said that the army is responsible for security. When it was learned that there were weapons there, the army went and conducted a search and found some weapons and ammunition. The books were just a by-product. A charge of unlawful possession of weapons has been filed.

"As for the charge that we have bad intentions, that is simply not true. Someone is taking advantage of this situation. I can state categorically that there is nothing behind this. This has nothing to do with politics. It is a security issue," said Maj Gen Phaibun.

A reporter asked about the reports that 90 soldiers had gone to search the house. Maj Gen Phaibun said that they did not understand what the army did. Actually, only about 20-30 men went. They were exaggerating.

Col Prasong Wonpraphai, the head of the Civil Affairs Division, 2d Army Area, told SIAM RAT that this search was just a routine matter. The army always conducts a search for weapons when it receives a report. The army is now trying to eliminate war weapons. There was nothing else behind this search. The 2d Army Area is cooperating with the police Suppression Division.

Col Prasong said that the search was conducted because an informant had said that weapons were hidden there, not because he was suspected of being a communist. "We did not know that Dr Koson Sisang intended to run for election. We still don't know to which party he belongs." But from what was found in his house, he definitely has communist ideas. But because he hasn't taken any action, we haven't filed charges," said Col Prasong. He added that the

Suppression Division is handling the criminal case. The local police will handle matters according to the law.

Col Prasong said that the evidence seized included an 11mm rifle, 11mm and carbine ammunition, a radio transmitter-receiver, and approximately 50 books on communism. The reporter said that Mr Koson claims that he has been framed. Col Prasong replied: "Do you think that that is possible? I still don't know to which party he belongs. He is probably trying to take advantage of this."

Dr Koson said that according to the law, a person charged with the illegal possession of weapons cannot be transferred. But he doesn't know whether his brother, Mr Suchat Sisang, will also have communist charges filed against him. If such charges are filed, he can be transferred. He said that he is very upset about this.

Dr Koson said that regardless of what happens, he will not change his mind about running for election. He said that he is sure that the people of Maha Sarakham will treat him fairly in this matter. He said that what happened is purely a political matter. But he doesn't know who was behind this.

As for the books that the officials seized from his mother's house, he worked abroad for 7 years. He was an instructor at Princeton University in the United States for 2 years and worked as a national development expert in Geneva for 5 years. During that period, he collected many books, including academic texts. Altogether, he has about 2,000 books at his house.

"Gen Chawalit Yongchaiyut, the new RTA CINC, is a moral person. He has helped to bring about democracy. I am sure that he will look into this closely," said Dr Koson. He added that Order 66/23 provided greater freedom and improved democracy. As an observer, he feels that this order has helped to solve the problems. He doesn't understand why this happened. This has muddied the political waters.

Mr Sawai Phramni, the governor of Maha Sarakham Province, said that the suspects will be allowed out on bail as soon as possible. It is thought that they will be set free on bail on 5 June. He said that some members of the Sisang family are in the development of Thailand group. The suspects were arrested because they had illegal weapons in their possession.

11943
CSO: 4207/252

THAILAND

FARMERS MEET PRINCE; NO PARTY, NO POLICIES ANNOUNCED

Bangkok SIAM RAT in Thai 2 Jun 86 pp 1, 12

[Unattributed report: "Farm Leaders From Around the Country Meet the Crown Prince"]

[Text] Mr Prarom Bualamli, the chairman of the Central Committee of the Farmers' Group of Thailand, told SIAM RAT that on 2 June, Dr Thaloeng Thamrongnawasawat, the under secretary of agriculture and cooperatives, will take farm representatives from various provinces throughout the country to meet the Crown Prince at the King's Guard Mahatlek Regiment in order to thank him for the concern that he has shown for the plight of the farmers. In particular, the Crown Prince recently served as the head of the project to make compost in Suphanburi Province. And he took off his shoes and joined in the activities in the fields.

Reporters asked whether the farmer representatives will discuss anything else with the Crown Prince. Mr Prarom said that the only purpose of this visit is to pay their respects. The plight of the farmers will not be discussed because everyone already knows about this.

Mr Prarom was asked whether the Farmers' Group had made plans to urge the farmers to vote a certain way in the 27 July general election. He said that the Central Committee of the Farmers' Group of Thailand is discussing this matter. He said that he is not at liberty to reveal the group's policy or attitude. However, he said that he wanted farmers everywhere to know that the Farmers' Group has not yet established a political party in order to field candidates in this election. If anyone who is affiliated with the group runs for election, that is the personal matter of that person.

At present, the Farmers' Group is preparing to announce its policy on solving the rice price problem. Because to date, in trying to solve this problem, the government has not focused on the right points and it lacks correct data. Thus, its efforts have failed. As for the group's economic policy, which it plans to announce very shortly, if any political party wants to use this policy as its policy in solving the farmers' problems, it is free to do so, said Mr Prarom.

In conclusion, Mr Prarom talked about the group's membership. He said that at present, approximately 300,000 farm families, or more than 2 million rice farmers, belong to the group. If the farmers who grow other types of crops are included, the group's membership totals more than 500,000 families, or more than 3 million people nationwide.

11943

CSO: 4207/252

THAILAND

BRIEFS

FOREIGN MINISTRY TALKS WITH LIBYAN ENVOY--On the morning of 19 May, Dr Ahmat Muhammad Sharif, the Libyan minister for the propagation of Islam, met with Mr Arun Phanuphong, the Thai deputy minister of foreign affairs, at the ministry. After that, Mr Sawanit Khongsiri, the director-general of the Information Department, Ministry of Foreign Affairs, announced that Mr Sharif had come in order to explain the events surrounding the U.S. bombing of Libya on 15 April. Mr Sawanit said that Dr Sharif was visiting Thailand as a special representative of the Libyan government. He thanked the Thai government, through Mr Arun, for voting to condemn the United States. The director-general of the Information Department said that the special representative praised the Thai laborers working in Libya, saying that they were honest and hard-working people. He said that Libya still needs Thai laborers. As for trade, the special representative said that Libya will buy more goods from Thailand. Mr Sawanit said that Mr Arun talked with Libya's special representative about Thailand's actions toward the Moslems here. For example, some people are not subject to the military draft. And in family life, they are allowed to use Islamic law. Also, the king is the patron of all religions and is above politics. [Excerpt] [Bangkok SIAM RAT in Thai 20 May 86 pp 1, 12] 11943

CSO: 4207/252

PEOPLE'S REPUBLIC OF KAMPUCHEA

AMBASSADOR DELIVERS ADDRESS ON KPRP ANNIVERSARY

OW011125 Hanoi Domestic Service in Vietnamese 1100 GMT 28 Jun 86

[Address by PRK Ambassador Tep Henn to Voice of Vietnam listeners and television viewers on the occasion of the 35th founding anniversary of the KPRP; date not given--read by announcer]

[Text] Dear friends: Today, I feel highly honored by the fact that the Vietnam Central Radio and Television Commission, on the occasion of the 35th founding anniversary of the glorious KPRP, has given me the opportunity to express my warm sentiments regarding the close relations between the KPRP and the CPV and between the peoples of Cambodia and fraternal Vietnam.

Dear Comrades and friends, 35 years ago, at the first party congress on 28 June 1951, the Khmer People's Revolutionary Party, that is, today's KPRP was founded. In thinking about the KPRP's origins, the entire party and people of Cambodia cannot help recalling President Ho Chi Minh, the outstanding leader of the international communist and workers movement, the boundlessly respected and beloved leader of the peoples of the three Indochinese countries, the first revolutionary combatant who brought Marxist-Leninist light to the Indochinese peninsula.

With the founding of the Indochinese Communist Party and the raising high of the Marxist-Leninist banner in all of Cambodia, Vietnam, and Laos, the Cambodian people's struggle for independence and freedom and against the French colonialist aggressors and the feudalists in the country reached a new stage, the stage of revolutionary alliance between Cambodia and Vietnam as well as among the three countries, Cambodia, Vietnam, and Laos. This important political event marked a great turning point in the history of the Cambodian people's revolutionary struggle.

During the 35 years of struggle replete with hardships and sacrifices, the KPRP, a party of genuine proletariats, has led the Cambodian people and working class to develop the national tradition of unyielding, stalwart struggle against foreign invasion and against the reactionary rulers in the country, the tradition of unity and solidarity among the three Indochinese countries, and the determination to defeat French colonialism and U.S. imperialism and to overthrow the traitorous Pol Pot-Ieng Sary-Khieu Samphan clique, lackeys of the Chinese expansionists and hegemonists, which they did on 7 January 1979.

This historical victory frustrated the expansionist and hegemonist schemes of the reactionary forces among the Beijing ruling circles in Southeast Asia, ushering in a new era for the Cambodian people, an era of genuine independence and freedom in which the Cambodian people became the real masters of their country and their destiny.

Dear comrades and friends, after being liberated from the genocidal Pol Pot-Ieng Sary-Khieu Samphan regime, the Cambodian country has gone through untold difficulties. Under the clear-sighted leadership of the KPRP, the Cambodian people of all strata have participated in large numbers in the defense and building of the country and in rebuilding the society while continuing the struggle against their enemies of various categories.

Over the past 7 years, in implementing the resolution of our party congress on economic restoration and building a new culture, by uniting in their efforts to protect the gains of the revolution and with the aid from the fraternal socialist countries, especially Vietnam and the Soviet Union, the Cambodian people have scored overall and great achievements in the political, military, economic, cultural, and social spheres. In the 1984-85 dry season in particular, the Cambodian people, in coordination with the Vietnamese volunteer army, smashed all the bases of the KHMER reactionaries of all factions along the Cambodian-Thai border, driving them into a position of serious weakness and imminent collapse. The great achievements scored over the past 7 years reflect the rapid development of the Cambodian revolutionary forces, a solid guarantee for Cambodia's future.

The fifth KPRP congress in October 1985 noted that the Cambodian revolutionary forces were developing and enjoying new conditions and opportunities. The congress also set forth the objective of building the revolutionary forces in all domains, especially in the political, military, and economic spheres, into forces that are strong both qualitatively and quantitatively, capable of developing the gains of the revolution, defeating the enemy, defending and building our independent and peaceful fatherland and advancing to socialism.

Based on the Cambodian revolution's intensified strength, we have, together with Vietnam and Laos, repeatedly advanced constructive proposals for a dialogue and negotiations to solve the issues concerning the two groups, the Indochinese and ASEAN countries, and to contribute to turning Southeast Asia into a zone of peace, stability, and friendly cooperation and building peace in the region and the rest of the world.

We have cooperated with Vietnam in achieving five withdrawals of Vietnamese volunteer troops, thus proving that the Cambodian Armed Forces have gradually matured while assuming their national defense duty and showing the good will of the PRK, Vietnam, and Laos regarding the annual Vietnamese troop withdrawals, which will be completed in 1990.

In the face of the strong development of the Cambodian revolution, the reactionary forces among the Chinese ruling circles, in collusion with the U.S. imperialists and other international reactionary forces and with support of the reactionary Thai extremist forces, have sought by every means to help the

Pol Pot clique's remnant troops rebuild their strength to oppose and undermine the Cambodian revolution and to repeat once again the massacre of the Cambodian people. The so-called three-party alliance of Pol Pot, Son Sann, and Sihanouk, and Democratic Kampuchea's UN seat, are used to cover up the aforesaid schemes and to prevent the genocidal Pol Pot-Ieng Sary-Khieu Samphan clique from collapse and world condemnation.

With China as their mastermind, these three factions recently advanced an eight-point proposal, which contains nothing new but reflects the Beijing expansionsits' malicious scheme to reimpose on the Cambodian people a genocidal regime which deserves nothing but endless denunciation. Sihanouk, the chairman of the three-party alliance, also pointed out that, with the eight-point proposal, the Pol Pot clique would fully assume the reins of government in Cambodia.

The history of the KPRP's revolutionary struggle has given this very valuable lesson to the Cambodian party and people: Success can be achieved only if the Cambodian revolution is linked to the Vietnamese revolution. The revolution in Cambodia as well as in the two other Indochinese countries will fail if the militant solidarity and strategic alliance between Cambodia and Vietnam are undermined by enemies and if the narrow-minded nationalist spirit is encouraged.

As specified in the resolution of the fifth KPRP congress, from realities in the past as in the future, we can draw the historical truth that Cambodia-Vietnam-Laos strategic alliance in general and the Cambodia-Vietnam strategic alliance in particular are the basic conditions for all successes of the revolutions of the three Indochinese countries in the first against their common enemies at all stages. The resolution asserts that this strategic alliance constitutes a model for Southeast Asia and that it is consistent with the era's laws.

The warm and profound sentiments of the entire party and people of Cambodia toward the party and people of fraternal Vietnam were sincerely expressed by Comrade General Secretary Heng Samrin in his speech at the fifth CPV congress as follows: To our entire party and people, the world Vietnam is highly sacred. Vietnam means revolutionary heroism. Vietnam is synonymous with proletarian internationalism. Vietnam means purity of heart, faithfulness, solidarity, and noble sacrifice. Vietnam's meritorious services will be engraved forever in the hearts of all patriotic Cambodian citizens. Closely bound to the peoples of fraternal Vietnam and Laos and united with the Soviet Union and the Socialist community and with the revolutionary peace movement in the entire world, the Cambodian people are determined to advance along the path of success to win even greater successes in the defense and building of their fatherland and make positive contributions to the cause of peace, stability, and cooperation in Southeast Asia and the rest of the world.

Thank you, comrades and friends.

/8918

CSO: 4209/648

MILITARY AFFAIRS AND PUBLIC SECURITY

VIETNAM

DEFENSE OF COASTAL BORDER DISTRICT DESCRIBED

OWO60809 Hanoi VNA in English 0723 GMT 6 Jul 86

[Text] Hanoi VNA 6 July--Hai Ninh, formerly Mong Cai District, is located in the northeastern part of the northern border province of Quang Ninh. It is a narrow strip of land dotted by dozens of islands, the two largest of which form Vinh Trinh and Vinh Thuc villages. In the past resistance wars, Hai Ninh was an important frontier gate to block the enemy's attacks by land and by sea.

The topography of the district is very diversified, consisting of wooded mountains, mid-lands, littoral and islands. It shares 72 km of common border with China, including 14 km of maritime border.

In the 13th century, under the leadership of the famous General Tran Khanh Du, the people of Hai Ning together with the inhabitants of the northeastern sea region, won the historic Van Don victory, making a decisive contribution to the destruction of the fleet carrying food supplied to the Yuan aggressors, which led to the third victory of the Vientamese over the Yuan aggressors.

In the present resistance against the Chinese expansionists, within forty days and nights of retaliation against Chinese artillery in 1984 alone, the armed forces and people of Hai Ninh and Binh Lieu killed 250 enemy troops, destroyed 65 artillery and mortar pieces, set 22 enemy military trucks ablaze, destroyed or badly damaged 14 artillery emplacements, 5 observation posts and a regimental headquarters of the enemy.

Border Post No. 209 at Po Hen hamlet was awarded the "hero" title and the district's post office was awarded the military exploit order.

With a district of diversified and complicated topography like Hai Ninh, the building of a people's war posture on both the sea and the inland is important. The watchwork for defence work of the district is to master the situation in order to attack the enemy wherever they may come from: the coast, the islands or the hinterland.

In 1984, the local army and militia in close coordination with the border defence forces, captured 12 Chinese scouts and more than 3,000 times detected enemy ships operating near Vietnamese waters.

Due to good shelters, the district has reduced to the lowest possible level the damage in human lives and property caused by the Chinese shellings.

Since 1978, with the effective help of the inland provinces, Hai Ninh has built a 48 km defence line with the widest part stretching 30 m. This system is annually strengthened. It comprises millions of bamboo stakes and thousands of land mines. Many villages, especially those bordering on China, have grown bamboo and rattan as a natural defence rampart.

Besides, a system of irrigation ditches totalling more than 100 km has been built to serve both production and defence.

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CSO: 4200/1194

MILITARY AFFAIRS AND PUBLIC SECURITY

VIETNAM

BRIEFS

INFANTRY INSTITUTE'S ANNIVERSARY--Hanoi VNA 7 July--The Infantry Institute of the Vietnam People's Army was established 40 years ago today. Its debut was a two month course which later developed into the Primary Political-Military Refresher School (1952), then Secondary Political Military Refresher School (1954) to become the Secondary and High Military School (1955) then the Military Institute and finally the present Infantry Institute. Its mission has been to organize three-year courses to train infantry officers and one-year refresher courses to train commanders and staff officers for eight services of the infantry, namely combined operation, reconnaissance, tank, artillery, anti-aircraft, engineering, communication and chemical units of the infantry. It also trains lecturers in military tactics of regiment, division and higher echelons. Its annual enrollment has run into the thousands sitting in some 100 classes. So far, the institute has trained some 20,000 medium and high-ranking officers for the Vietnam People's Army and the armies of some fraternal countries. Many of its graduates have been promoted to the rank of general and a number have been honoured "army hero." The teaching staff has made meritorious contributions to building the military science and the military art of people's war of the Vietnamese people. It is continuing with research into the new theories on military campaigns and tactics as well as military pedagogy in the new period of the revolution. [Text] [Hanoi VNA in English 1452 GMT 7 Jul 86 OW] /12913

CSO: 4200/1194

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

VIETNAMESE-SOVIET LABOR COOPERATION AGREEMENT 5 YEARS OLD

Hai Phong HAIPHONG in Vietnamese 3 Apr 86 p 4

[Article of VNA Moscow correspondent sent to HAIPHONG: "On the Occasion of the 5th Anniversary of the Vietnam-Soviet Union Labor Cooperation Agreement-- Five Years of Vietnamese-Soviet Labor Cooperation"]

[Text] Exactly 5 years have passed since the day the Vietnamese-Soviet labor cooperation agreement was signed. I remember my visit 4 years ago to the chemical fiber joint enterprise in Barnaul, where the first Vietnamese workers came to learn skills and to work. They were skilled Vietnamese women working alongside Soviet workers in clean and tidy shops. I still remember at the ceremonies marking this festive occasion in a ward of the city the first secretary of the ward party committee mentioned in his speech the names of those Vietnamese workers who had scored brilliant achievements in production and said, "We are proud of the Soviet-Vietnamese friendship. The results of the Soviet-Vietnamese labor cooperation in the enterprises in our ward are another fine manifestation of this friendship."

That was only the first year of cooperation in this field. In the last 4 years that cooperation has been improved and expanded.

Last year the first workers who had acquired skills after having completed their learning and working in the friendly land returned home; their ranks will be replenished on a regular and yearly basis. They are a very precious capital for Vietnam's industrial installations at present and in the future.

Normally after a year's learning in the Soviet Union our workers have relatively good skills. In almost all enterprises, when they first took part in productive labor, the good and outstanding ones accounted for more than 90 percent.

Many workers continued to work hard to acquire skills and to learn new skills. Therefore, after having worked for 4-5 years, almost all of them had a second occupation. In some localities, quite a few of them had as many as 3-4 occupations. Among the first group of workers who returned home, nearly 100 percent of weavers were in the top grade. Most workers who have worked for 3-4 years or longer were rated highly skilled. As a result, more than 90 percent of our workers regularly fulfilled and overfulfilled the production

norms. In some units, more than half of their workers always overfulfilled production norms and contributed to their enterprises being awarded the progressive and traveling banners. Many teams, units, and workers fulfilled the previous year's production plan 1-5 months ahead of time. Many workers won the title of "workers having golden hands." Others won prizes in contests to select outstanding workers. Eleven Vietnamese female workers in the Ivanovo jointly-operated textile enterprise were awarded the title of "winners in the Stakhanov movement" on the occasion of the celebrations marking the 50th anniversary of this Soviet movement.

The fact that our workers have good skills and work hard to get trained brings their average monthly income to 150-200 rubles. In some units the average income is even higher.

Our workers receive all kinds of welfare benefits: annual leaves, rest periods in health resorts and sanitariums, and visits to cities and tourist attractions.

Enterprises take good care of workers who have completed their work periods and are about to go home: buying things, mailing packages for them, assigning people to assist them while traveling, and seeing them off in airports. The affectionate sentiments of those who have gone home are directed not only at these enterprises but also at friends, sisters and brothers, people they considered members of their own families during the days they worked in the Soviet Union.

Those who have been or are working in the Soviet Union not only master one or two skills and have another language as an asset, but they truly are able to learn the work behavior and way of living of the leaders of socialist and communist construction through examples and actual daily contacts. Friendship is consolidated and expressed more profoundly through coordinated activities organized in enterprises.

As they work in the Soviet Union, our workers always turn to their fatherland, learn, and train themselves in enhancing their qualities, morality, and occupational skills so as to contribute more and more upon their return to the national construction. Wherever they work, they regularly organize periods of activities aimed at reviewing historical and revolutionary traditions, and activities with different themes, such as "Seeking to know about the country," "Seeking to know 40 years of traditions of the VPA," "I am a member of the Communist Youth Union," and "What is a culture-rich way of living?" A particularly enthusiastic activity is found in the movement to promote brotherhood and to send aid to the border provinces. Our workers have written thousands of letters addressed to those combatants who fight night and day in our strongholds and outposts, have associated in brotherhood with border villages, and have launched a movement to send gifts to combatants and people in border areas. They have also organized a labor emulation movement to support the youth union members and youths involved in the construction of the Hoa Binh hydroelectric power plant and have sent gifts and donations to the brave people and collectives of brave people in the labor field. Those activities have further mobilized our workers for working and training harder.

From that movement have appeared tens of units that qualified as collectives of young socialist workers, tens of labor teams and units that were awarded the progressive title, and many individuals who won the title of outstanding and progressive laborers.

At the present time, in production installations there are many activities aimed at scoring achievements in productive labor and writing political songs intended for the forthcoming Sixth CPV Congress.

The last 5 years were only the first steps on the road to labor cooperation between Vietnam and the Soviet Union. That was the time when both sides were looking for more and more appropriate measures for their cooperation. Our laborers in the Soviet Union have seen more clearly the conditions for learning and training, and the direction in which improvement was needed. These 5 years was an opportunity for us to look back and to further raise the quality of this cooperation. However, the results of this cooperation based on the overall Vietnamese-Soviet cooperation and on socialist internationalism will surely leave profound and lasting marks on the friendship between the fraternal peoples of Vietnam and the Soviet Union.

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CSO: 4209/607

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

PRK MILITARY ATTACHE MAKES STATEMENT ON ARMY DAY

BK201056 Hanoi Domestic Service in Vietnamese 1400 GMT 18 Jun 86

[Statement by Hing Lang, military attache of the PRK Embassy in Vietnam, on the occasion of the PRK Army Day--recorded in Cambodian fading into super-imposed Vietnamese translation]

[Summary] "First, I would like to extend my profound gratitude to the Vietnam Radio Broadcasting and Television Commission for giving me the opportunity to express my heartfelt feelings to the listeners of the Voice of Vietnam Radio on the occasion of the 35th anniversary of the Kampuchean People's Revolutionary Armed Forces [KPRAF] and on our Cambodian Army-People Solidarity Day."

"On behalf of the Cambodian party, government, people, and the KPRAF, I extend my deepest gratitude to the fraternal Vietnamese party, state, people, and Army for their great and most valuable contributions to our Cambodian people's great victories."

This year Cambodia celebrates the 35th anniversary of the KPRAF and the Cambodian Army-People Solidarity Day against a background of great and all-round successes by the Cambodian Revolution.

"Recalling the 35 years of combat, building, and maturing of the KPRAF--the successor of the Issarak Army--we will always remember Indochinese Communist Party and Khmer People's Revolutionary Party, now the Kampuchean People's Revolutionary Party, for providing leadership, indoctrination, and training, because it was their organizational and training efforts that made it possible for our armed forces, including main forces, local forces, and guerrilla-militia forces, to achieve constant growth and numerous glorious victories."

With the tradition of militant solidarity between the armies and peoples of the three fraternal Indochinese countries, we defeated the U.S. imperialists in their war of aggression, bringing about the total liberation of Cambodia on 17 April 1975. However, after this victory, the treacherous Pol Pot-Ieng Sary-Khieu Samphan clique--the henchmen of Beijing expansionism and hegemonism--betrayed the people and drove Cambodia into genocidal disaster. They betrayed proletarian internationalism and turned the revolutionary Army into a tool to implement their barbaric policy of slaughtering Cambodians and waging a war of aggression against the fraternal Vietnamese people.

Faced with this disaster, in late 1978 under the banner of the Kampuchean National United Front for National Salvation, the KPRAF was reorganized into a unified Army. Together with the fraternal VPA, they toppled the Pol Pot genocidal regime and liberated their beloved fatherland on 7 January 1979.

Over the past 7 years, overcoming untold difficulties, our main forces, local forces, guerrilla-militia forces, and public security forces have grown rapidly and have been able to gradually shoulder the task of protecting national independence, revolutionary gains, and the people's lives. "In particular, the Army and people of Cambodia, in close cooperation with the fraternal Vietnamese Army volunteers, destroyed and took complete control of all the bases manned by the Khmer reactionaries along the Cambodian-Thai border area during the 1984-85 dry season and, at the same time, foiled many perfidious schemes of the Beijing expansionists and hegemonists who are acting hand in glove with the U.S. imperialists, the ultrarightist Thai ruling circles, and the Khmer reactionaries of all stripes."

Recently, in compliance with the communique of the 12th Indochinese foreign ministerial conference, the PRK and SRV governments have withdrawn part of the Vietnamese Army volunteers from Cambodia. This is the fifth SRV troop withdrawal.

"This troop withdrawal shows that the Cambodian situation has become increasingly stable, that the Cambodian revolution is making steady progress, and that the KPRAF, with the help of Vietnamese Army volunteers, is gradually maturing and taking over the duty of defending the fatherland and protecting the revolutionary gains."

"This also demonstrates the goodwill of the PRK and the three Indochinese countries as they have decided to withdraw Vietnamese Army volunteers annually and to complete this troop withdrawal by 1990."

The past 35 years saw many glorious victories scored by the Cambodian Army and people in their staunch and persistent struggle in which they have received sincere and valuable assistance from various fraternal socialist countries, especially from Vietnam. The KPRAF has achieved rapid growth and is proud of having fulfilled its duty of defending its beautiful Angkor fatherland.

"The Army and people of Cambodia, together with the armies and peoples of three Indochinese countries as well as with the Soviet Union and other fraternal socialist countries, are determined to struggle to defend the collective gains of the three countries in the Indochinese Peninsula and of socialism and to contribute to protecting peace and the welfare of mankind."

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CSO: 4209/640

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

VNA CARRIES SPK COMMENTARY ON ASEAN CONFERENCE

OWO80923 Hanoi VNA in English 0754 GMT 8 Jul 86

[Text] Hanoi VNA 8 July--The recent Manila Conference of ASEAN Foreign Ministers has revealed those countries' serious economic problems created by the U.S., Japan and EEC's policy of trade protectionism, says SPK in a commentary Monday.

The conference, notes the Kampuchean News Agency, has also reflected a growing concern of many people in the region about a nuclear threat as was expressed in a demand for a nuclear-free Southeast Asia.

More noticeable is the clearer realization of many that the threat to the ASEAN does not come from the Indochinese countries but from China with its expansionist policy.

Regrettably, a number of circles in Asian countries still reiterated their support for the Chinese-masterminded "Eight-Point Proposal" of the so-called "Coalition Government of Democratic Kampuchea."

The so-called Eight-Point Proposal sold out in March this year by the "CGDK" or polpotists in disguise is nothing but an attempt to bring back the genocide perpetrators to Kampuchea and to doll up the so-called "Tripartite Coalition Government of Democratic Kampuchea" being rife with inner bickerings and moral sinking especially after the deadly blow in the 1984-85 dry season of the Kampuchean revolutionary armed forces and Vietnamese army volunteers, remarked SPK.

To support and nurture those traitors are regrettable and unpardonable acts. These also mean to ignore the fact that more than three million Kampuchians have been massacred by the polpotists during their rule in Kampuchea from 1975 to 1979.

Thailand and the other Asian countries should be realistic about the situation in Kampuchea. It is in vain if they try to reimpose those polpotist criminals on the Kampuchean people.

China, Thailand and the other ASEAN countries should reconsider the proposals advanced by the three Indochinese countries. If they are really interested in peace and security in the region, they should join efforts with the Indochinese countries in building Southeast Asia a zone of peace, stability, friendship and cooperation.

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CSO: 4200/1194

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

BRIEFS

SPORTS TEAMS TO MOSCOW--Hanoi VNA 3 July--A delegation of the General Department of Training and Sports led by its Deputy Director Duong Nghiep Chi has left here for Moscow to attend the 1986 "good will" sports meet to be held in the Soviet Union from 5-20 July. The competitions, held on the initiative of the USSR Olympic Committee and the U.S. Turner Broadcasting System, will be attended by over 3,000 athletes from more than 50 countries. The participants will compete in 18 sports, including aerobics and lawn tennis which will officially feature in the 1988 World Olympics. Vietnam's Master-of-Sport Hoang Van Thuyet will take part in the marathon race. [Text] [Hanoi VNA in English 1546 GMT 03 Jul 86 OW] /12913

SOVIET LEGAL WORKERS VISIT--Hanoi VNA 3 July--A delegation of legal workers of the Soviet Union led by Dr L.X. Khaldeev, director of the All-Union Institute for Professional Upgrading of Legal Workers, arrived here on 1 July in furtherance of a program for cooperation between the two juridical services. On 3 July, the Soviet guests were received by Phan Hien, Minister of Justice. On this occasion, Khaldeev, empowered by the Minister of Justice of the Soviet Union, presented his Vietnamese counterpart with a number of technical equipment and documents relating to jurisprudence. [Text] [Hanoi VNA in English 1544 GMT 03 Jul 86 OW] /12913

CONGRATULATIONS TO MONGOLIAN OFFICIALS--Hanoi VNA 3 July--Truong Chinh president of the State Council; Pham Van Dong, chairman of the Council of Ministers, and Nguyen Huu Tho, chairman of the National Assembly, have extended their warmest congratulations in separate messages to Jambun Batmonh; Dumaagiyn Sodnom and Bat Ochyrin Altan-Geral on their re-election respectively as chairman of the Presidium of the People's Great Hural, chairman of the Council of Ministers and chairman of the People's Great Hural of Mongolia. The congratulatory messages wish the Mongolian people still greater successes in the implementation of the 8th Five-Year Plan adopted by the recent 19th Congress of the Mongolian People's Revolutionary Party. For his part, Foreign Minister Nguyen Co Thach has sent his congratulations to Mangalyn Dugersuren on his re-appointment as Foreign Minister of Mongolia. [Text] [Hanoi VNA in English 1550 GMT 3 Jul 86 OW] /12913

AGRICULTURAL DELEGATION TO CZECHOSLOVAKIA--Hanoi VNA 4 July--Czechoslovak Deputy Prime Minister and Minister of Agriculture and Food Miroslav Toman received in Prague on Wednesday Tong Tran Dao, Vietnamese Vice Minister of Agriculture and head of the Vietnamese Delegation to the Fourth Session of the

~~Joint Vietnamese-Czechoslovak Working Group in Agriculture and Food Industry.~~
The two sides reviewed the implementation of the cooperation plan between the two countries in the production of coffee, rubber, and tropical fruits and vegetables. They also discussed questions of bilateral scientific and technological cooperation. [Text] [Hanoi VNA in English 1634 GMT 4 Jul 86 OW] /12913

ALGERIANS GREETED ON NATIONAL DAY--Hanoi VNA 4 July--Vietnamese party and state leaders today sent a joint message of greetings to their Algerian counterparts on the 24th Independence Day of the Democratic and Popular Republic of Algeria (5 July). The message, signed by Le Duan, general secretary of the Communist Party of Vietnam Central Committee; Truong Chinh, president of the State Council; Pham Van Dong, chairman of the National Assembly, is addressed to President Bendjedid Chadli, secretary general of the National Liberation Front Party; Prime Minister Abdelhamid Brahimi and president of the National Assembly Rabah Bitat. It says that the great achievements of the Algerian people in the defence of national independence and in the building of a prosperous and progressive country have actively contributed to the struggle of the peoples of the Arab, African and non-aligned countries and the world over against Imperialism, Zionism and reaction for peace, national independence, democracy, and social progress. [Text] [Hanoi VNA in English 1631 GMT 4 Jul 86 OW] /12913

JAPANESE HISTORY DISTORTION CONDEMNED--Hanoi VNA 7 July--The DAILY NHAN DAN in a commentary today energetically criticizes Japan's decision to amend history text-books used for college students to distort historical truth and justify the war crimes committed by Japanese militarism during World War II. The paper says: "This move is part of Japan's scheme of reviving Japanese militarism and making Japan an 'unsinkable aircraft carrier' in service of the U.S. Asia-Pacific strategy. This move, taken in couple with other actions such as Prime Minister Nakason's visit to Yasukuni Shrine devoted to war criminals, his declared support for the SDI program of the U.S., and the increasing of Japan's military spendings and provocative actions in the Far East, is causing concern to the peoples of Asia and putting them on guard." All these moves, the paper notes, are increasing the danger of a nuclear war and threatening peace, security and progress in Japan and the world in general. "As a victim of Japanese militarism in the past, the Vietnamese people, together with other Asian peoples, vehemently condemn Japan's distortion of history and revival of militarism. We demand that the Japanese administration immediately respond to the aspiration of the Japanese and other Asian peoples for making Asia a zone of peace, security and cooperation in the interests of all nations," the paper stresses. [Text] [Hanoi VNA in English 0737 GMT 7 Jul 86 OW] /12913

GREETINGS TO ALBANIA--Hanoi VNA 8 July--Defence Minister Gen Van Tien Dung has sent a message of greetings to his Albanian counterpart, Prokop Murra, on the 43rd Albanian Army Day (10 July). The message expressed joys over the fine achievements the Albanian people and army have obtained over the past 40 years in their national building and defence. It wished the Albanian people and army still greater successes in their revolutionary cause, thus making contributions to preserving peace in the Balkan Peninsula and in the world as a whole. The message also wished the solidarity and friendship between the two peoples and armies further consolidation and development. [Text] [Hanoi VNA in English 1509 GMT 8 Jul 86 OW] /12913

KPRP PROPAGANDA CADRES DELEGATION--At the invitation of the CPV Central Committee Department of Training and Propaganda, a delegation of the KPRP training and propaganda cadres delegation led by Comrade (Bou Lon), deputy secretary of party committee and head of the training and propaganda committee of Siem Reap Province visited Vietnam from 10 to 24 June to study Vietnam's experiences. During its stay in Vietnam, the delegation worked with the CPV Central Committee Department of Training and Propaganda and visited Hanoi and Haiphong municipalities and Quang Ninh Province for researching purposes. It heard reports by some party committees of districts, villages, and towns; some economic and communications and transportation units and party and Army schools, and visited some of the historic and beautiful sites. Comrade Dao Duy Tung, member of the party Central Committee and head of the Training and Propaganda Department received and cordially talked with the delegation. [Hanoi Domestic Service in Vietnamese 1430 GMT 25 Jun 86 BK]/12766

UN ENVOY CONDEMNS U.S. CONTRA AID--Representatives of the GDR, Laos, and the Soviet Union vehemently condemned the Reagan administration's brazen policy of interfering in the internal affairs of the Latin American countries, stressing that the recent decision of the U.S. House of Representatives clearly manifested their attitude of openly opposing a political solution for the region and proved the U.S. scheme of militarizing Central America and bringing pressure to bear upon Nicaragua in an attempt to overthrow its revolutionary government. Our country's Bui Xuan Nhat pointed out that the U.S. aid to the Contras is not an isolated act in the U.S. policy toward Central America. He also condemned the White House's pretense of defending the right to self-defense in order to conduct anti-Nicaraguan activities. [Text] [Hanoi Domestic Service in Vietnamese 1100 GMT 3 Jul 86] /9604

PHAM VAN DONG MESSAGE TO ASIAN CONFERENCE--SRV Chairman of the Council of Ministers Pham Van Ding on 6 July sent a message to the International Conference on Peace and Security in Asia. The message said: On the occasion of the International Conference on Peace and Security in Asia in Bangalore, India, I convey to all delegates my warmest greetings. The peoples of Vietnam and other Indochinese countries, and other peace-loving and progressive forces in the region are strengthening their unity and coordinating their struggle to foil all schemes of imperialist and reactionary forces, thereby maintaining peace and security in the region and enabling nations in this area to realistically decide their own destiny. The International Conference on Peace and Security in Asia in Bangalore, India--great land of Gandhi, Nehru, and Indira Gandhi--is an event of great significance for the common struggle of peace-loving forces in Asia and the world. The conference's success will contribute significantly to the International Year of Peace and marks new progress in the world people's struggle to eliminate the danger of a nuclear war and firmly maintain peace on our beautiful planet. I wish the conference splendid success. [Text] [Hanoi Domestic Service in Vietnamese 2300 GMT 5 Jul 86] /9604

CSO: 4209/664

PARTY ACTIVITIES AND GOVERNMENT

VIETNAM

DIRECTIVE ON PARTY'S LEADERSHIP OF YOUTH WORK ISSUED

Hai Phong HAI PHONG in Vietnamese 26 Mar 86 pp 1, 4

[Article: "Standing Committee of Municipal Party Committee Issues Directive on Immediate Tasks in Implementing Political Bureau Resolution 26 on Strengthening the Party's Leadership of the Youth Work"]

[Text] On 24 March 1986 the Standing Committee of the Municipal Party Committee issued Directive No 30 CT-TU on a number of immediate tasks in implementing Resolution 26 of the Political Bureau. The complete text follows:

Since the implementation of Resolution No 39 of the Standing Committee of the Municipal Party Committee on "strengthening the youth work" began, the Party committee echelons, governmental administrations, and mass organizations have paid more attention to leading, guiding, and creating conditions, so there have been good transformations in the situation and activities of youths. The basic Youth Union organizations have been consolidated and the quality of their activities has improved. Consciousness of ideals, political consciousness, and the spirit of collective mastership on the part of most youths have gradually been raised. The Youth Union echelons have made many all-out efforts to improve their operational mode in order to rally and educate youths, and have organized many practical and effective revolutionary activity movements for youths. With regard to missions of a key nature, and at the key construction projects, the hard-core assault role of youths has been strongly developed and they have contributed worthily to the common accomplishments in the enterprise of building and defending the fatherland and the city.

However, consciousness of the strategic role and position of the youth work in the party organization echelons and governmental echelons is not yet adequate. There are still manifestations of relaxing guidance of the youth work, especially at the basic level. Youth are not yet used in a manner appropriate to their cultivation and training. The material bases for rallying and educating youths, and for their activities, are still poor. The Youth Union has not yet made strong efforts to meet the requirements of the new situation and missions. The contents and forms of Youth Union activities and the ratio of youths participating in them is still low. A number of youths are backward

and their belief and struggle will have declined. They are lazy toward labor and pursue a pragmatic and dissolute way of life.

Resolution 26 of the Political Bureau on strengthening the Party's leadership of the youth work, which has an especially important and strategic significance in carrying out that work in our city, must be an integral part of the process of fulfilling the missions of socialist transformation and construction, and defending the city and the economic-social objectives. We must first of all concentrate on resolving the price, salary, and money problems, renovating the economic management mechanism, expanding production, expanding circulation, managing the market, managing society, building the new way of life and the new socialist man, strengthening security and national defense, holding Party congresses at all levels.

The Standing Committee of the Municipal Party Committee has directed the party committee echelons, the governmental administrations, and the mass organizations to do a good job of carrying out a number of tasks regarding the youth work.

Missions of the Youth Work.

1. Strengthening the teaching of revolutionary ideals and morality, to youths, renovating their economic-social thought of, and strengthening their consciousness ability with regard to collective mastership. It is necessary to enable youths to fully understand the revolutionary situation and missions of the nation, the city, the locality, and the unit, and cause all youths to undergo a clear transformation with regard to political consciousness and consciousness of revolutionary offensive, to have great aspirations for achieving socialist and communist ideals, and to truly become hard-core assault forces in the revolutionary action movements who outstandingly fulfill all political missions of the Party, always struggle against conservatism, sluggishness, and self-satisfied subjectivism, are always dynamic and creative in implementing the new economic mechanism, and promote production, commerce, and other work.

We must do a better job of carrying out the teaching of traditions and tie in the teaching of the traditions of the nation and the Party with Hai Phong's glorious "Loyal and courageous, determined to win" revolutionary historical tradition. Especially, attention must be paid to teaching the revolutionary morality and virtue of the working class: loyalty and faithfulness to the Party and to the revolution, making labor the reason for life, devoting everything to the benefit of the revolution and the people, having a wholesome and simple life, having an exemplary vanguard nature and being prepared to go anywhere and do anything, as required by the Party, living and acting in accordance with the constitution and laws, and strictly observing the social rules and norms and organizational discipline. It is necessary to create and implement a democratic, collective work style--"the mouth speaks, the hands work, and the feet walk"--in order to carry out work completely and urgently, with high yields, quality, and effectiveness.

Attention must be paid to creating new youth models, on the basis of which to select models and working methods and multiply them into vast movements.

In the strategy to create the new socialist man in Hai Phong, it is necessary to make youths the hard core. Youths must be enabled to take the lead in achieving the new culture way of life, eliminate the social evils and bad customs, completely eliminating the six social evils, and maintaining social order and sanitation. Youths must be guided with regard to esthetics and the moral standards in social relationships, create conditions so that youths can assimilate the new and the beautiful and take the initiative in preventing the penetration of the nonsocialist way of life from affecting youths and teenagers.

2. Organizing a seething and broad revolutionary activity movement among youths and mobilizing all youth forces in Hai Phong to advance on the four major fronts: the economy, national defense and security, study, and the creation of the new culture way life.

The Youth Union has organized "Brigade 2005" to rally, educate, and mobilize the potential of youths to attain the city's strategic economic-social goals by the year 2005, and contribute positively, along with the entire population of the city, to creating a model of "a city that is both a port city with developed industry and agriculture, one of the export-import and tourist-service centers, and at the same time a steel anti-aggression fortress."

On the Economic Front:

All youths must be brought into the labor ranks and the situation of youths not willing to work or of working inefficiently must be brought to an end. Youths must be assault forces in implementing the new management mechanism, take the lead in such things as new economic-technical norms, developing initiatives, applying technical advances, and implementing economic accounting for each phase, each task, and each person. Youths must have the highest productivity, youths' products must have the highest quality, and youths must work with the greatest effectiveness. In all spheres, youths are assigned communist youth projects so that youths can demonstrate all of their talents, contribute all their efforts, and quickly mature with regard to thought, politics, professional matters, and managerial ability. It is necessary to widely develop the forms of youths participating in management, including the formation of youth construction sites and enterprises, by means of which to create models regarding economic management and social management.

Youth workers must truly play a hard-core role in all activities of the municipal youth movement. On the production front they must take the lead in producing consumer goods and export goods and in capital construction.

Collective peasant youths must assume responsibility for high-yield fields, endeavor to attain rice yields of between 8 and 10 tons a hectare, and develop specialized units managed by youths (seed, fertilizer, water conservancy, field work, plant protection, and other teams).

Youths on the distribution-circulation front must adopt the new commercial mode and create civilized commerce-youths must be brought into the tourist and service activities.

Youths in industry, agriculture, etc., must be concerned with developing the family economy.

On the National Defense-Security Front

We must enable youths to have deeper and more complete consciousness of the two strategic missions--building and defending the Fatherland--and to clearly understand the insidious plots of their enemy, voluntarily fulfill their military obligations, and overcome the situation of evading obligations and deserting. Youths must be encouraged to volunteer, strive to become officers, and do a better job of carrying out the army's rear area policy of caring for the families of war dead, disabled veterans, and troops, and the "for the front-line strongpoints" movement.

We must continue to study, categorize, and educate backward youths and prevent crimes. The activities of the Assault Youth units maintaining security, manning check points, and patrolling the neighborhoods must be further codified. It is necessary to create good practices with regard to maintaining political security and social order and safety.

On the Study Front:

It is necessary to rectify the students' motivation and attitude toward study. The "two goods" emulation movement to raise the all-round quality of teaching and study and create many socialist collectives of teachers and students must be developed. Youth work-study schools must be developed in the village and subprecinct clusters, the vocational training centers, and the vocational classes in the precincts, districts, and enterprises. Youths must be encouraged to study foreign languages, politics, and economic management. By 1990 we must achieve a general middle school education for citizens between 18 and 40, and popularize elementary-level technical education in order to "technicalize" labor. The model of cooperation among schools, subprecincts, and enterprises must be maintained and developed.

There must be a special system to cultivate talent for the nation in specialized schools and classes, and youths with outstanding talent and contributions must be appropriately rewarded.

On the Front of Creating a New Culture Way of Life

The youths forces and working class play a hard-core role in creating a cultured way of life for the city. The functional sectors and the mass organizations, especially the Trade Union Federation, must coordinate with the youth union in creating conditions for youths to organize cultural, artistic, physical education and sports, and tourist activities, and guide the youths' tastes. Recreational and cultural activity areas must be zoned for youths, teenagers, and youths, management of the Kim Dong park must be reassigned to the Youth Union, and additional material bases for youth activities. All subprecincts and villages must have a club and all precincts and districts must build cultural centers for youths, teenagers, and children. There must be increased investment in the construction of youth cultural centers and children's cultural centers in the city.

3. The care of youths and children:

We must improve the work of caring for unit members along the lines of enriching the contents and forms of unit activities. The dignity, talents, and personalities of youths must be developed so that they can strive to become "good nephews and nieces of Uncle Ho," the struggle goal all children. The promotion of unit activities inside and outside the schools has a practical use in improving the quality of training of all-round people, and it is necessary to oppose superficiality, formalism, and imitation. The responsibility of the family must be emphasized and the science of family education must be widely propagated. The echelons and sectors must give special priority to building material bases to serve children. There must be theaters, cinemas, athletic fields, recreational areas, stores, etc., for children.

Strengthen the Party's Leadership of the Youth Work

1. The Party regards the Youth Union as its combat reserve unit and is directly concerned with building a strong Youth Union organization.

In the immediate future, it is necessary to concentrate on the following matters:

Building a strong Youth Union organization at the basic level, especially at the branch echelon, and overcoming the situation of weakness and sluggishness of the basic Youth Union organization. The branches must increase their concern and guidance, assign tasks, and encourage branch activities. The Youth Union must have activity contents for each category in each area.

Improving the quality of Youth Union members. All Youth Union members must be assigned tasks by the Party and the Youth Union. The remaining youths must be drawn into the youth federation chapters according to sectors and trades, age groups, strong points, etc. Continuing to introduce outstanding Youth Union members to the Party and inviting youth delegates to participate in Party congresses at all levels. Strengthening training according to plan and standardizing Youth Union cadres. The party organization cadres must correctly use them in the right positions and boldly promote and appoint young cadres, especially in the state management and economic management. On the basis of ensuring standards, they must boldly include the secretaries of Youth Union branches and basic units in the Party committee echelons to create conditions for them to mature quickly. Attention must be paid to systems policies, and the lives of Youth Union cadres.

2. Create good party leadership practices with regard to the youth work.

The party committee echelons must pay attention to improving the youth proselytizing ability and methods of the party committee secretaries, the Party chapter secretaries, the Youth Union chapter secretaries, and the party committee members who are assigned responsibility for the youth work. It is necessary to create good leadership practices for the Party with regard to the Youth Union, continually grasp the situation of youths and the Youth Union work, regularly discuss and reach decisions on youth work matters, assign a

member of the standing committee or a party committee member to be responsible for the youth work, and increase contacts and conversations between Youth Union members and youths.

The party departments must pay attention to coordinating and to providing advice to the Youth Union Standing Committee with regard to all aspects of its work. From now on, the municipality will make march "Youth Month" in order to strengthen the education and care of youths, and teach them economic management and social management.

The mass organizations must continually coordinate their action programs with the Youth Union in educating and proselytizing youths.

The governmental echelons must be concerned with creating favorable conditions for the Youth Union activities.

The Standing Committee of the Municipal Party Committee must assign to the Proselytizing Section and the Ho Chi Minh Communist Youth Union responsibility for guiding the organization of the implementation of Resolution 26 of the Political Bureau and this directive of the Municipal Party Committee, and supervise, inspect, and make preliminary recapitulations after each implementation period.

5616

CSO: 4209/612

PARTY ACTIVITIES AND GOVERNMENT

VIETNAM

BRIEFS

QUI NHON MUNICIPALITY--The Council of Ministers recently issued a decision to expand and rename Qui Nhon Town of Nghia Binh Province into Qui Nhon municipality. The municipality includes the former Qui Nhon Town plus Phuoc Thanh Village--renamed Minh Thanh--of Tuy Phuoc District. The municipality has 8 wards and 7 subwards over an area of 21,200 hectares and a population of 174,078 persons. The municipality is bordered on the east by the sea, on the west and north by Tuy Phuoc District, and on the south by Dong Xuan District of Phu Khanh Province. [Text] [Hanoi Domestic Service in Vietnamese 2300 GMT 4 Jul 86] /9604

PARTY RESOLUTION IMPLEMENTATION REVIEWED--The Ba Dinh district party and people's committees recently held a conference to review the implementation of the party Central Committee Political Bureau's Resolution No 3 and the Hanoi municipal party committee standing body's Resolution No 19 on the struggle against the enemy's multifaceted war of sabotage. Over the past 3 years, Ba Dinh district has firmly maintained political security, reduced violation of socialist property by 55 percent, and other crimes by 38 percent compared with 1981. Regarding the building of the public security force, party cadres and members now account for 61 percent of the total force compared to 37 percent in 1981. Violations of discipline by cadres and combatants have been reduced annually. In 1985, 11 units and enterprises and 4 subwards of the district were awarded the determined-to-win titles. The Ba Dinh housing construction enterprise took the lead in various tasks, while Nguyen Trung Truc subward received the rotation banner from the municipal people's committee, taking the lead in the mass movement for national security. Ba Dinh district is leading in the emulation drive to strengthen the public security force of the capital, Hanoi. [Text] [Hanoi Domestic Service in Vietnamese 1430 GMT 5 Jul 86] /9604

PROVINCIAL AGRICULTURE LAUDED--Hanoi VNA 5 July--Chairman of the Council of Ministers Pham Van Dong has cabled greetings to the Central Province of Nghe Tinh for having overfulfilled its plan of selling rice to the state after the 1986 winter-spring harvest. Chairman Pham Van Dong has also sent messages commending the southern provinces of Long An, Cuu Long, Ben Tre, Dong Nai and Song Be for having overfulfilled their plans of selling rice to the state following the 1985 summer and 1986 winter-spring crops. [Text] [Hanoi VNA in English 1511 GMT 5 Jul 86 OW]

CSO: 4200/1194

ECONOMIC PLANNING, TRADE, AND FINANCE

VIETNAM

BRIEFS

CREDIT COOPERATIVES NATIONWIDE--To date, as many as 7,600 credit cooperatives have been set up in almost all villages and city wards throughout the country with a total capital amounting to more than 100 million dong. Over 5,000 credit cooperatives in the northern provinces have begun to apply the socialist system of accounting and business. [Summary] [Hanoi Domestic Service in Vietnamese 0500 GMT 1 Jul 86] /9604

LAM DONG ECONOMIC ZONE--During the first 6 months of this year, Hanoi has sent 728 families of 3,259 people--70 percent of the total figures in the previous year--to various new economic zones in Lam Dong Province. Dong Anh District took the lead in this task, sending 348 families of 1,391 people to build new economic zones. [Summary] [Hanoi Domestic Service in Vietnamese 2300 GMT 3 Jul 86] /9604

NEW ECONOMIC ZONE IN PHU KHANH--Hanoi VNA 29 June--A new economic zone has been built on a stretch of coastal land in Phu Khanh Province (Central Vietnam) where the settlers have turned hundreds of hectares of waste land into fields of industrial crops and vegetables. The new economic zone has been drawing more and more settlers from overpopulated areas in the province. [Excerpt] [Hanoi VNA in English 1514 GMT 29 Jun 86 BK] /12913

CSO: 4200/1194

AGRICULTURE

VIETNAM

HANOI REVIEWS LATE JUNE AGRICULTURAL ACTIVITIES

OW031213 Hanoi Domestic Service in Vietnamese 1100 GMT 30 Jun 86

[Text] Here are the highlights of agricultural production during the last 10 days of June:

The northern provinces and cities have harvested more than 800,000 hectares of winter-spring rice or nearly 80 percent of the planted acreage. Nghe Tinh and Binh Tri Thien have in the main completed the rice harvest. Ha Nam Ninh, Hai Hung, and Vinh Phu have reaped more than 90 percent of the planted acreage.

Taking advantage of the sunshine in recent days, peasants in various localities have concentrated on quickly completing the rice harvest to make the fields available for 10th-month rice cultivation.

Along with harvesting winter-spring rice, the northern provinces and cities have plowed more than 420,000 hectares of 10th-month rice, a 50 percent increase over the acreage plowed in the same period last year. They have also sown rice seeds on more than 110,000 hectares, a 50 percent increase over the acreage sown last year.

The southern provinces and cities have basically completed the summer-fall rice transplanting. They have, however, fulfilled only more than 92 percent of the plan norms, compared with last year's summer-fall rice crop. Particularly, Nghe Tinh and Thanh Hoa provinces have shifted to transplanting more than 50,000 hectares of summer-fall rice, nearly twice the acreage transplanted last year. However, they have failed to fulfill the plan norms for this year.

Along with planting the summer-fall rice, all provinces and cities nationwide have planted more than 400,000 hectares of 10th-month rice. The planting pace in the southern provinces has remained slow, more than 85 percent slower than in the same period last year. Otherwise, the planting pace in the northern provinces has been twice as fast as during the same period last year. The people have striven to plant more than 80,000 hectares of early 10th-month rice, with a view to making this acreage available for the coming planting of early winter rice.

Noteworthy is that currently, harmful insects are seriously ravaging the summer-fall rice crop and 10th-month rice seedlings. Nearly 10,000 hectares of 10th-month rice seedlings in the north have been affected. The provinces with the largest acreage ravaged by rice pests include Hai Hung, Thai Binh, Ha Nam Ninh, and Ha Bac.

Nearly 70,000 hectares of summer-fall rice in the south, especially in the Mekong Delta provinces, have been ravaged by harmful insects. Localities are currently concentrating on eradicating rice pests to prevent them from spreading.

Regarding the cultivation of summer-fall vegetables and subsidiary and industrial crops, the entire country has planted more than 160,000 hectares of subsidiary crops, more than 70,000 hectares of vegetables and beans, and more than 94,000 hectares of industrial crops. The cultivation area of vegetables, beans, and industrial crops has increased much more, as compared with the same period last year.

Friends: According to the Meteorological and Hydrological General Department, the weather will remain sunshiny and hot during the first days of July and there will be rain over the weekend. Therefore, the northern localities should concentrate their efforts on quickly harvesting the remaining area of winter-spring rice, conserve water in high-level fields for the 10th-month rice cultivation, continue to eradicate and prevent rice pests in rice seedling fields, sow sufficient 10th-month rice seeds, and plant the early 10th-month rice on all of the planned acreage. Meanwhile, the southern provinces should concentrate their efforts on eradicating harmful insects in summer-fall rice fields, and continue to transplant the 10th-month rice.

In addition, all localities should continue to plant autumn vegetables and subsidiary and industrial crops still in season while properly tending and protecting all the planted crops from being affected by pests.

/9604

CSO: 4209/664

AGRICULTURE

VIETNAM

BRIEFS

KIEN GIANG RICE PROCUREMENT--Kien Giang Province has procured 126,000 metric tons of grain, accounting for 74 percent of the 10th-month and winter-spring rice plan norms or 1,000 metric tons more than the corresponding period last year. An Bien and Tan Hiep Districts took the lead in the procurement, achieving 80 percent of their set plan norms. The province has sent cadres to grassroots units to collect agricultural taxes and debts at cooperatives and production collectives, while eliminating private traders who are attempting to disturb the grain market. [Summary] [Hanoi Domestic Service in Vietnamese 1430 GMT 26 Jun 86] /9604

NORTHERN PROVINCES GRAIN DELIVERY--By 30 June, the northern provinces and municipalities had delivered over 300,000 metric tons of paddy to the state granaries for the 1986 fifth month-spring rice crops, which shows an increase over the same period last year. Thanh Hoa and Nghe Tinh provinces fulfilled their grain quotas for the crops and also for the entire year. By 25 June, Nghe Tinh had delivered 105,867 tons of paddy--an increase of 10 percent over the corresponding period last year. So far, Thanh Hoa has delivered 114,000 tons of paddy, showing a 135 percent increase over the corresponding period last year. In general, all provinces have made special efforts to overcome difficulties and, therefore, the grain delivery rate was higher than last year's. [Summary] [Hanoi Domestic Service in Vietnamese 1100 GMT 4 Jul 86] /9604

TAY NINH WINTER-SPRING RICE--Tay Ninh Province has harvested 12,800 hectares of winter-spring rice or 86 percent of the cultivated acreage. The average yield is 27.2 quintals per hectare. The province has also planted 26,000 hectares of summer-fall rice and short-term industrial crop. The pace of planting was relatively slow due to the recent prolonged drought. Some districts experienced harmful insects, and the provincial vegetation protection sector is striving to supply them with more insecticide. [Summary] [Hanoi Domestic Service in Vietnamese 0500 GMT 2 Jul 86] /9604

THANH HOA GRAIN--Despite numerous difficulties caused by natural calamity and shortage of facilities, Thanh Hoa Province as of 1 July had procured 190,000 metric tons of grain, exceeding set target by 2.8 percent. The province is striving to procure more grain during the 5th-month spring crop in order to fulfill the 1985-86 grain obligation plan norms. [Summary] [Hanoi Domestic Service in Vietnamese 1430 GMT 4 Jul 86] /9604

THAI BINH WINTER-SPRING RICE--Due to damage caused by leaf rollers and brown planthoppers, the winter-spring rice output in Tien Hai District of Thai Binh Province has depreciated by 10,000 metric tons. To make up for this shortfall, Tien Hai will step up technical measures for rice cultivation in the coming 10th-month crop and winter crop seasons. [Summary]
[Hanoi Domestic Service in Vietnamese 2300 GMT 30 Jun 86] /9604

CSO: 4209/664

HEAVY INDUSTRY AND CONSTRUCTION

VIETNAM

BRIEFS

VUNG TAU OIL WELL--The USSR-SRV oil and gas joint venture has completed the construction of oil well No. 2 in Vung Tau, southern Vietnam. Thanks to effective measures, the drilling and construction tempo of the well is twice faster than that of the previous one. Meanwhile, at the Hoa Binh hydroelectric power plant project, some 70 kilometers west of Hanoi, antistorm and flood projects have been completed. Workers and engineers of the project are striving to put the machine unit No. 1 into operation in late 1987.

[Text] [Hanoi International Service in English 1000 GMT 4 Jul 86 BK] /12913

CSO: 4200/1194

TRANSPORTATION AND COMMUNICATIONS

VIETNAM

CEREMONY MARKS 20TH ANNIVERSARY OF MARITIME COLLEGE

Hai Phong HAIPHONG in Vietnamese 3 Apr 86 pp 1, 4

[Article: "Maritime College Continues To Strive To Become One of Scientific and Technical Centers in the Country's Sea Transport Sector"]

[Text] The Vietnam Maritime College has just organized solemn ceremonies to mark its 20th anniversary (1 April 1956-1 April 1986).

Bui Danh Luu, vice minister, Ministry of Communications and Transportation; Cao Van, member of the Standing Committee of the Municipal CPV Committee and vice chairman of the Haiphong Municipal People's Committee; Pham Hoanh, chairman, Quang Ninh Provincial People's Committee; Rear Admiral Nguyen Duong, deputy commander of the Navy; and Tran Xuan Nhon, director, Sea Transport General Department, attended the ceremonies.

Representatives of many central and municipal committees and sectors; a number of provinces, municipalities, colleges, and middle schools; and many corporations, enterprises, and factories of the sea transport sector were also present.

Professor Le Duc Toan, an MA degree holder and president of the Maritime College, read a report on the 30 years of building and growth of his college, which was clinging to the goal of training as it ceaselessly moved forward. Starting as an elementary maritime class, the college has by now acquired a relatively large and modern material base for teaching and scientific research and has fulfilled the need for raising the quality of training. In the last 30 years, nearly 8,000 engineers and science-technology and economic management cadres have graduated from the college and are now serving in many economic and national defense sectors. Currently the school is training more than 2,000 students in 11 specialized fields. Its faculty has ceaselessly improved its professional and specialized abilities. It presently consists of 4 level-1 professors, 18 MA's, and 419 engineers and members of equivalent engineer rank. The college has had 116 scientific papers, including 15 of state level and many having received good evaluation. In addition to teaching and training, it has been accelerating scientific research, combining it with productive labor, and extending economic relations and integration to a number of economic sectors and units in order to ceaselessly strengthen the material

base for teaching and training and to improve the standard of living of its cadres, teachers, workers, civil servants, and students.

Speaking during the ceremonies, Bui Danh Luu and Cao Van highly evaluated the achievements made by the college in the course of its 30 years of building and growth and at the same time pointed to some of the tasks it would have to fulfill in the time to come in order to become one of the country's scientific and technical centers in the sea transport sector.

5598

CSO: 4209/607

LABOR

VIETNAM

TRADE UNIONS CIRCULAR MARKS ANNIVERSARY

BK031340 Hanoi Domestic Service in Vietnamese 1430 GMT 2 Jul 86

[Text] Commemorating its 57th founding anniversary, the Vietnam Confederation of Trade Unions [VCTU] recently issued a circular urging trade unions of various echelons to promote the revolutionary action movement among workers and civil servants, accelerate production, and practice thrift in order to score new achievements to welcome the Sixth CPV Congress.

To commemorate the founding anniversary of the VCTU, trade unions of various echelons must comprehensively disseminate the tradition of the working class and the VCTU organization among workers and civil servants. Through various political activities aimed at maintaining the tradition of the Vietnamese working class, trade unions of various echelons must create favorable conditions for workers and civil servants to participate in discussions to design measures to overcome difficulties, satisfactorily fulfill the state plan, and organize talks between leading cadres and workers and civil servants on matters of mutual concern. They must also work with the authorities to overcome shortcomings and solve problems raised by the people.

The VCTU urges unions of various echelons to accelerate the party building task and strengthen the working class position while organizing the VCTU anniversary celebration. It is imperative for them to satisfactorily participate in the criticism drive to review the tasks of party cadres and members and implement the new management system to eliminate bureaucracy and state subsidization and shift to the socialist accounting and business system, while urging workers and civil servants to participate in emulation drives for new achievements to welcome the Sixth CPV Congress.

/9604
CSO: 4209/664

SCIENCE AND TECHNOLOGY

VIETNAM

CONFERENCE REVIEWS SCIENTIFIC, TECHNICAL WORK

BK071206 Hanoi Domestic Service in Vietnamese 2300 GMT 5 Jul 86

[Text] The Hanoi municipality on 4-5 July held a conference to review its scientific and technical work over the past 5 years—1981-85. Some 320 representatives of leading management and scientific and technical cadres of various sectors and production units of central organizations and in Hanoi attended the conference.

Comrade Vo Nguyen Giap, vice chairman of the Council of Ministers, other leading comrades of the scientific and technical sectors, and representatives of various universities and institutes also attended and contributed ideas to the conference.

Over the past 5 years, under the difficult socioeconomic situation, Hanoi's scientific and technical work has contributed to serving production, the people's daily lives, and national defense. It has brought advanced techniques to industrial, small industrial, and handicraft production as well as to agriculture, transportation, construction, public health, education, distribution and circulation, and capital construction surveying. The municipality produced 1,100 reports on industrial progress and 35 projects involving pilot production of new small industrial and handicraft products. The municipality has produced new equipment and materials for the industrial sector to replace imported ones.

The conference unanimously adopted the scientific and technical improvement tasks for the 5-year period 1986-90. These include appraising capital construction surveys and reviewing capabilities in designing strategies for socioeconomic development, building the agro-industrial structure, strengthening exports, solving Hanoi's population and labor problem, building up infrastructure along with the Hanoi food belt, and improving education for youths and children in the municipality.

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CSO: 4209/664

CHRONOLOGY

VIETNAM

CHRONOLOGY GIVEN FOR 16 FEB-15 MAR 86

Hanoi VIETNAM COURIER in English Apr 86 p 32

[Text]

(16 February — 15 March)

FEBRUARY

12. After discussing on the MIA question with Vietnamese Government officials, a 9-member delegation of the US Congress, led by Gerald Solomon, Director of the Special Commission for the Question of Americans Missing in Action (MIA) in Southeast Asia of the US House of Representatives, leaves Hanoi.

15 — 22. A delegation of the Sri Lanka National Committee for Solidarity with Vietnam, led by its President Chandra Gunasekera, Deputy General Secretary of the Lanka Sama Samaja Party (LSSP), member of the International Secretariat of the Asian Buddhist Conference for Peace (ABCP), member of the Lanka Committee for Peace and Security in Asia and Secretary of the Sri Lanka National Centre of the ABCP, pays a visit to Vietnam.

17 — 25. A delegation of the Ministry of Public Health and Social Insurance of the Polish People's Republic, headed by Prof. Stanislaw Goura, First Vice-Minister, pays a visit to Vietnam, and attends the inauguration of the Vietnam-Poland Friendship Hospital built in the town of Vinh in Nghe Tinh province.

18 — 21. Minister of Information and Culture of the Kampuchean People's Republic Chheng Phon visits Vietnam.

20 — 22. A delegation of the Home and Foreign Trade Ministry of the Kampuchean People's Republic, led by Minister Chheng Phon, pays a visit to Vietnam. A protocol on goods exchange for 1986 between Vietnam and Kampuchea is signed.

22. Hanoi: Holding of a ceremony to exchange ratification instruments for the Treaty on Delimitation of State Frontiers between the Socialist Republic of Vietnam and the Kampuchean People's Republic. (See article on page 8)

24 - 27. Berlin: An economic delegation of Vietnam, led by Vice-Chairman of the Council of Ministers Tran Quynh, attends the 15th session of the Vietnam-GDR Inter-Governmental Commission for Economic, Scientific and Technical Cooperation.

25. Tirane: Signing of an agreement on goods exchange and payment for the 1986 - 1990 period and a protocol on goods exchange for 1986 between Vietnam and Albania.

25 Feb. - 8 March: Moscow: A delegation of the Communist Party of Vietnam, led by General Secretary Le Duan, attends the 27th Congress of the CPSU.

26 Feb. - 12 March: A delegation of the Congolese Party of Labour (CPL), led by Goma Foutou, Secretary of the CPL Central Committee and head of its Political Training Commission, pays a visit to Vietnam.

26 Feb. - 4 March: An economic delegation of Finland, led by the Deputy Director of the Finnish International Development Authority (FINIDA), David Johanson, visits Vietnam.

MARCH

3. Bucarest: An economic delegation of the Vietnamese Government, led by Tran Quynh, member of the CPV Central Committee, Vice-Chairman of the Council of Ministers, and President of the Vietnam branch of the Vietnam-Romania Joint Commission for Economic, Scientific and Technical Cooperation, attends the 8th session of the Commission.

Hanoi: An SRV State and Government delegation, headed by Chairman of the Council of Ministers Pham Van Dong, pays the last homage to Swedish Prime Minister Olof Palme at the Swedish Embassy in Hanoi. (See article on page 5)

The SRV Council of Ministers decides that national mourning be observed on 4 and 5 March in memory of Olof Palme.

5 - 12: A trade delegation of the Bangladesh Government led by Doctor S.M. Farid, Deputy Trade Minister, pays a visit to Vietnam.

8 - 13: An economic delegation of the Swedish Government led by Carl Tham, Director General of the Swedish International Development Authority (SIDA), pays a visit to Vietnam.

8. Hanoi: Signing of a cooperation plan for 1986 - 1990 between the Writers' Associations of Vietnam and the Soviet Union.

10. The SRV Ministry of Foreign Affairs makes public a memorandum on China's hostile policy vis-à-vis Vietnam.

11. Hanoi: Signing of a cooperation plan for 1986 - 1990 between the Publishing and Press Department under the Ministry of Culture (Vietnam) and the APN Publishing House (USSR).

11. A high-level delegation, led by Vice-Chairman of the Council of Ministers Tran Quynh, representing Chairman Pham Van Dong, leaves for Stockholm to attend the funeral of the late Swedish Prime Minister Olof Palme.

13. Hanoi: Holding of a peace seminar on the occasion of the International Year of Peace - 1986, by the Institute of Sciences, the Vietnam Peace Committee and the Hanoi Committee for Science and Technology.

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END

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28 JULY 1986

Southeast Asia Report

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28 JULY 1986

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AUSTRALIA

EXPANDING USSR FISHING AGREEMENTS IN PACIFIC PROMPT CONCERN

Sydney THE AUSTRALIAN in English 21-22 Jun 86 p 20

[Editorial: "Pacific Dangers"]

[Text]

THE move by the Soviet Union to negotiate a fishing agreement with Fiji is a disturbing sign of the Soviets' continuing encroachment on the Pacific region.

The Soviets' first breakthrough in the South Pacific came when it signed a fishing agreement with the island nation of Kiribati. Recent reports indicate that the Kiribati Government is well satisfied with the way the agreement is working out, and is considering extending port facilities to Soviet vessels. At the same time, Vanuatu is negotiating a fishing agreement with the Soviet Union which is also likely to involve port facilities.

The fishing agreements by themselves are no cause for great alarm. However, when viewed in the context of other regional developments they form part of a general trend in which Western influence and values are under increasing pressure in the Pacific, while the Soviet Union and its friends are laying the foundations of strong future influence.

Vanuatu, for example, has established diplomatic relations with Libya, and sent a message of support to Libya during its recent confrontation with America. It is formally a member of the Non-Aligned Movement and has a close relationship with Cuba and significant links with Vietnam.

In the Pacific region it is likely that Cuba and Vietnam would act as Soviet surrogates. It is also likely that by exploiting Third World and anti-colonialist rhetoric Cuba and Vietnam would be better able to win influence in the region than would the Soviet Union, although the Soviets' fishing agreements provide the first stage of what is obviously intended to be a growing presence.

The increasing entanglement of anti-democratic regimes around the world with the fate of the Pacific is also demonstrated by the factions of the Kanak independence movement in New Caledonia, which are strongly supported by Vanuatu, and which have also looked to Libya for financial and other support.

However, the leadership of most of the Pacific States remains friendly to the West and to democratic values. It is up to the Western Pacific powers, notably the United States, France and Australia, to show such an adequate sensitivity to the concerns of the Pacific States that they will not feel obliged to get involved with the Soviets and their friends. The United States has been too slow to control the activities of its tuna fishermen and conclude fishing agreements with the Pacific States.

Australia and the other Pacific powers must seek to assist the Pacific nations in their economic and political development in such a way that the Soviet alternative is seen to be unattractive. We should not merely sit by and let the situation drift.

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CSO: 4200/1221

AUSTRALIA

FORMER RAN OFFICER ON RISKS OF U.S. SHIP VISITS

Melbourne THE AGE in English 26 Jun 86 p 16

[Article by Edmund Doogue]

[Text]

Australian authorities were leaving Melbourne, Perth and Fremantle open to risk of a nuclear accident by allowing visits by US nuclear-armed vessels, a former RAN officer said yesterday.

Mr Michael Lynch, who retired as a lieutenant-commander with the Royal Australian Navy, criticised the Cain Government for allowing US Navy vessels to visit Melbourne. He also said the Dibb Report should be rewritten.

Mr Lynch, 40, who left the navy five years ago, was responsible for overseeing visits by US Navy ships and submarines to Cockburn Sound in Western Australia between 1978 and 1981. In Melbourne yesterday he addressed a panel set up by the Australian Council of Churches and the Catholic Commission for Justice and Peace as part of a national inquiry.

Mr Lynch told the panel that visits by the US fighting vessels did not bring any strategic benefit to Australia. "There is no strategic reason for Australia to accept visits by nuclear-armed and nuclear-powered ships. We are hosting these visits for a good time for American sailors, not to defend Australia," he said.

"We are living in 1986, not 1942. In 1942 the battle of the Coral Sea was on and the US saved our bacon, but things have changed."

He said those who pushed for

strategic defence of Australia in cooperation with US nuclear-armed ships were 44 years out of date.

Mr Lynch said that while US authorities prepared stringent safety procedures in case of an accidental nuclear detonation when nuclear-armed vessels visited US ports, the Premier, Mr Cain, and other Australian politicians simply said they did not know whether US ships visiting Australian ports were nuclear-armed, leaving our ports without safety precautions. "There are very few non-military ports in the US that the ships visit," Mr Lynch said. "New York and Boston have banned nuclear-armed and nuclear-powered vessels."

Federal and state legislation in Australia dealt only with nuclear-powered vessels, not the question of nuclear arms on ships. "Yet a simple visit to a public library will show anybody which ships are carrying nuclear weapons — what type and how many," he said.

He said that, contrary to statements by Mr Cain, the Federal Government did not have the power to enforce visits by US warships.

"At the very least, if the Victorian Government is to host visits by nuclear-armed ships, it should conduct, in conjunction with the Federal Government and the owners of the weapons, exercises to ensure action can be taken in the

event of an accident while a ship is berthed in Melbourne. The US Government regularly conducts such exercises and has also suggested 'mutual training, blended capabilities and extensive consultation with host countries for action in the event of a weapon accident'. We won't even admit they are there."

Mr Lynch said that the presence of the US ships was simply a convenience enabling the US Government to use Australian ports to provide rest and recreation for its navy. A Tandberg cartoon in 'The Age' a year ago summed it up by showing a US military official saying to a Victorian citizen: "We are here to protect you from attacks on us."

Mr Lynch said the recent review of Australia's defence capabilities by Mr Paul Dibb compared unfavorably with a review of defence in New Zealand which invited public submissions "because defence is too important to be left to parliamentarians".

He said the Dibb report should be redone or provision made for public submissions.

A spokesman for Mr Cain said yesterday that the Victorian Government did not like the visits by US warships, but recognised that they were part of the Federal Government's obligations under international treaties.

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CSO: 4200/1221

AUSTRALIA

AMBASSADOR URGES U.S. TO RESPECT CANBERRA'S INTERESTS

Sydney THE AUSTRALIAN in English 30 Jun 86 p 8

[Article by Samuel Washington]

[Text]

AUSTRALIA'S interests should be taken into account in the alliance with the United States and should not be treated as those of a subservient partner, the Australian Ambassador to the United States, Mr Rawdon Dalrymple, has warned.

Speaking to the Southern Centre for International Studies in Atlanta, Georgia, on Friday, Mr Dalrymple said the US was sometimes irritated by Australia's independent stance.

But it should realise that the interests and contributions of the smaller partner had to "be seen to be taken into account by the larger partner".

"While Australians generally like and admire the United States they are not, and I think never will be prepared to adopt a supine and uncritical posture towards their major ally," he said.

"It is not simply a matter of following the leader whatever the leader does."

Australia's almost "slavish attitude" towards the US, typified by former prime minister Mr Harold Holt's state-

ment in 1968 that he was "all the way with LBJ", had been firmly rejected, Mr Dalrymple said.

Important differences in attitudes and policy now existed on arms control issues, southern Africa, Central America and trade policies, he said.

But the Australian Ambassador was careful to point out that the irritants in the alliance were the sort of normal "vicissitudes" the US encountered with other allies and were more "matters of emphasis than of deep principle".

The keys to maintaining the alliance were to resolve, or at least contain, differences between the partners, and for the US to view its junior partner on a more equal basis.

Mr Dalrymple said the bilateral relationship "continued to be very much a subservient one" up to the end of the Vietnam war.

It then became clear that the Australian people would no longer support an alliance in which Australia was "simply a team player and a rather unquestioning team player".

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CSO: 4200/1221

AUSTRALIA

HAYDEN CALLS FOR TRIBUNAL TO JUDGE POL POT

Sydney THE AUSTRALIAN in English 27 Jun 86 p 6

[Article by Cameron Forbes]

[Text]

MANILA, 28 June. — The Australian Foreign Minister, Mr Hayden, today called for the setting up of a tribunal aimed at removing, as an obstacle to peace in Cambodia, the Pol Pot leadership of the Khmer Rouge.

Mr Hayden wants the culpability of the Pol Pot leadership established once and for all and the credentials of other members of the Khmer Rouge tested.

This would open the way for the rank and file of the Khmer Rouge to participate in Khmer national reconciliation.

The Khmer Rouge, a member of the anti-Vietnamese coalition waging a guerilla war in Cambodia, is nominally headed by Khieu Samphan.

But Pol Pot, who was ultimately responsible for the Cambodian terror, is widely regarded as still being the major force in the movement.

Mr Hayden was speaking at a conference of Asean, western and Japanese foreign ministers held at the conclusion of the annual Asean meeting.

Nuremberg

At a later briefing, he declined to describe the tribunal as a Nuremberg hearing, saying that the outline had intentionally been left amorphous.

The proposal was immediately endorsed in general by the Malaysian Foreign Minister, Tengku Ahmad Ritha Rithauddeen, who said he hoped that Australia would be able to explore the matter further.

The US Secretary of State, Mr Shultz, joined Mr Hayden in ruling out support for any Cambodian coalition government which included Pol Pot.

Asean ministers in their communique had strongly urged the international community to support an eight-point peace proposal put forward by a anti-Vietnamese coalition which is headed by Prince Sihanouk.

A major element in the eight-point proposal — which has already been rejected by Vietnam — is quadripartite government including the Khmer Rouge.

Mr Hayden said that the presence of Pol Pot and people like him had been an impossible impediment for a number of countries, including Australia, in considering a range of otherwise quite positive proposals.

He said that the tribunal proposal had "large difficulties" but that the removal of the Pol Pot presence would eliminate one of the most serious impediments to progress.

Mr Hayden said he had made the point on a number of occasions to Vietnamese representatives that sooner or later a system would have to be developed for dialogue with genuine representatives of the Khmer people, "excluding Pol Pot and people like him".

Mr Hayden cautioned against being too optimistic about any major change in Vietnamese policy towards Cambodia, even after the Vietnamese Communist Party's Sixth Congress which will be held later this year.

But he said there were critical issues relating to the form of post-settlement elections which needed to be addressed by all parties.

"For instance, how can the post-settlement elections be made genuinely free from the threat of force? How should such freedom be guaranteed?" he said.

"These relate directly to the role of the future of the Khmer Rouge and the question of disarmament of armed Khmer Rouge groups.

"It also relates to the acceptability of the Khmer Rouge to the people of Cambodia as a participant in any political settlement while it remains under the leadership of mass murderers such as Pol Pot."

Mr Hayden said that unless these and other issues were addressed firmly and quickly the prospect of a continued stalemate in finding ways towards a settlement would continue.

It would continue at great cost to all in the region and to friendly countries.

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CSO: 4200/1221

AUSTRALIA

PARTY FACTIONALISM, UNIONS THREATEN PM'S ECONOMIC STRATEGY

Sydney THE AUSTRALIAN in English 23 Jun 86 pp 1, 2

[Article by Paul Austin]

[Text]

THE strategy of the Prime Minister, Mr Hawke, for tackling the country's economic crisis was in danger of collapsing last night in the face of cross-factional ALP opposition and a bitter trade union backlash.

Mr Hawke was dealt a damaging blow at the Victorian ALP State conference at the weekend when his own right-wing faction sided with the militant Socialist Left to reject his economic plans.

The 450 delegates unanimously endorsed a strongly worded, 15-point resolution rejecting Mr Hawke's proposals for further wage discounting as a breach of the prices and incomes accord.

The resolution condemned the plans, outlined in Mr Hawke's June 11 address to the nation, as a direct threat to the living standards of workers, pensioners and the unemployed.

The rare display of cross-factional unity ensures Mr Hawke will come under intense pressure at next month's ALP national conference in Hobart to abandon his push for wage discounting.

In an extraordinary series of events at the Victorian conference:

MR HAWKE'S Victorian right-wing numbers man, Senator Robert Ray, revealed that the Prime Minister's call for wage discounting was "an

ambit" claim and conceded that discounting would not happen if the union movement rejected it.

THE Storemen and Packers Union (SPU) — a power base of Mr Hawke and the ACTU president, Mr Simon Crean — said discounting was not acceptable and warned that union leaders would not be able to control their members if the Government insisted on discounting.

POWERFUL left-wing union leaders Mr John Halfpenny and Mr George Crawford said the accord would collapse if Mr Hawke imposed his policies on workers.

THE left-wing Minister for Social Security, Mr Howe, said the Government would risk electoral defeat if it pursued policies that breached the accord.

THE Premier of Victoria, Mr Cain, said any government that tried to jettison the accord would be acting against the interests of Australia.

Left-wing strategists yesterday seized on Senator Ray's comments as an indication Mr Hawke would back away from discounting if the Labor movement mounted a strong campaign against it — although they conceded such a move would turn business leaders against the Government.

The Left believes internal party pressure has already forced Mr Hawke to make his

work-for-the-dole scheme voluntary instead of compulsory.

The Victorian secretary of the Amalgamated Metal Workers Union, Mr Halfpenny, who moved the resolution, said Mr Hawke's plan to combat the balance of payments crisis would not work because it ignored the fundamental problems of the economy.

In a powerfully delivered speech, Mr Halfpenny said the strategy had to be rejected because it forced wage-earners and the poor to bear the burden of the economic downturn.

He said that while restraint was being imposed on workers, the Government was merely appealing to the corporate sector to "stop being such a pack of bastards" and to "stop plundering the nation as you have been for the past three years".

Interventionist

While workers had been forced to make sacrifices, business had been free to engage in "an epidemic of corporate cannibalism" that had done nothing to help the country's productive capacity.

"Let it be clearly understood: if the revised policies and proposals of the Government are imposed on workers and their unions, then the accord will perish," Mr Halfpenny said.

The plans were not acceptable because they would make the accord an instrument for suppressing real wages.

Workers had already accepted a 2 per cent discount in the last national wage case. It was unacceptable for Mr Hawke to demand that they accept further discounting, particularly because wages had nothing to do with the balance of payments crisis.

Mr Halfpenny said the resolution outlined a more viable plan for tackling the crisis, including proposals for a more interventionist industry policy.

"If the resolution's proposals were adopted by the Government then Joan Sutherland would sing louder, Deek would run faster and it would help Ben Lexcen get the Australian dollar floating again," he concluded.

The resolution was seconded by left-wing parliamentary staffer, Mr Lindsay Tanner, who described Mr Hawke's address as "the first major nail

in the coffin of the accord".

Mr Tanner said Mr Hawke was proposing to introduce Liberal policies, which would lay the groundwork for the Coalition to return to government "after we've done their dirty work for them".

He said supporters of Mr Hawke in the Labor movement had accepted unpopular decisions on uranium mining, Aboriginal land rights and financial deregulation because the Government had been delivering on jobs and economic growth.

Mr Hawke's plan put this at risk.

"Are you going to cop wage cuts, higher unemployment and Budget cuts, or is there a point where blind devotion ceases and you say enough is enough? If you'll accept this, you'll accept anything," Mr Tanner said.

Mr Howe told the conference that expansionary policies were "absolutely funda-

mental" to the maintenance of the accord.

"If we pursue contractionary policies, then the deficit will get completely out of hand," he said.

It was "intolerable" for a Labor government to propose policies that would allow unemployment to increase.

Mr Howe said the risk of Mr Hawke's plans was that "all that has been achieved in the last three or four years will be squandered by the Government by pursuing policies which are not in line with the accord and not in line with the fundamentals of economic policy".

The federal secretary of the SPU, Mr Greg Sword, said the most important task for the ALP and the union movement was to convince the Government that the strategy of the accord remained correct.

He said it was "impossible" for wage-earners to accept further discounting.

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CSO: 4200/1221

AUSTRALIA

HAWKE ADVISER INTERVIEWED ON ALP FACTIONALISM

Sydney THE WEEKEND AUSTRALIAN (Weekend Supplement) in English 28-29 Jun 86
pp 1, 17

[Interview by David O'Reilly with Senator Graham Richardson, ALP Right Ally of Prime Minister Robert Hawke: "Hawke's Number Cruncher"; passages in slantlines published in italics; first paragraph is AUSTRALIAN's introduction]

[Text]

Is the granite facade of the Hawke Government and the Australian Labor Party's Right Wing machine starting to crack? Although the Right showed their power in NSW recently when Barrie Unsworth was swept into the position of Premier designate, the resignation this week of Peter Barron, a senior member of Mr Hawke's Manchu Court, has indicated that the forthcoming ALP Federal Conference in Hobart may not be all smooth sailing for the Right. In Canberra this week DAVID O'REILLY spoke to the Prime Minister's chief 'number cruncher', Senator Graham Richardson, about the power plays that go on behind Canberra's closed doors.

RECENTLY Graham Richardson, to use his own parlance, had a big win. He didn't crush the Left in a factional coup or swing the Prime Minister, Mr Hawke, around to his own eye-to-the-vote view on some policy decision.

He simply got given a bigger office. Twenty-five centimetres bigger, to be precise.

Following recent changes to the already cramped office arrangements in Canberra's

Parliament House, Senator Richardson and his staff of two were shifted just up and across the corridor.

Now he crams chairs, tables, filing cabinets, telephones and word processors into a space just three and a half by three metres.

But the former NSW ALP State secretary and now key adviser to the Prime Minister knew when he moved into the building three years ago as a new senator he had to "cop" the deprivations just like every other federal MP.

Any special privileges would have opened himself - and Mr Hawke - to all kinds of criticism.

Despite the telephone-booth shortcomings, metre for metre, rooms M134 and M168 would have seen more high-powered business done in the three years than probably most other offices in Australia.

In room M168 recently Senator Richardson talked frankly to *The Weekend Australian* about the business conducted there - his own role in the Government, the "mythology"

that has grown up around the power of his right-wing faction inside the Government's Caucus and decision-making forums.

He spoke of the awesome "discipline" his "grouping" brings to the factional negotiating table, the very nature of factionalism claims that the bulk of the Government's MPs are irrelevant in decision making and the complaint by the Left that this is not a true Labor Government at all.

He also spoke on his celebrated six-month row with his factional ally, the Treasurer, Mr Keating.

Confronted with the constant criticism that he and the NSW right wing exert a disproportionate influence on the Prime Minister and thus the Government, Senator Richardson insists his group is entitled to such power.

"It's the largest group in Caucus by quite some distance so it's entitled to be influential," he said. "The Prime Minister, the Deputy Prime Minister and the Treasurer are among its numbers. So, it's pretty obvious it's going to have influence. As well, the Prime Minister, the Deputy Prime Minister and the Treasurer grew up in it. It's not as if they came to it yesterday. So, it's not just me. Their friendships and old loyalties lie with a lot of people in the group."

Senator Richardson effectively concedes much of the "mythology" around his own access to Mr Hawke is correct.

"I get lots of that, access - there's no denying it. But that doesn't mean I get my way. I mean, sometimes you win, sometimes you lose, because you are only part of a process."

"What annoys me is that when we lose on something the press writes the NSW Right has suffered a terrible defeat. When we win it is that the Cabinet has again prevailed. So in that sense you are painted as the ogre and you can't win."

"The truth is, however, that irrespective of how the press reports each individual thing, we have had some significant wins and some losses and that will continue. The faction doesn't expect to win everything. It never has."

Senator Richardson acknowledges the fascination inside the political fraternity with this question of access, his role and the network of people including his close friend, former News Ltd journalist Peter Barron who resigned from Mr Hawke's personal staff this week after three years as principle adviser.

Despite the conventional wisdom, there is no "machine" and different people have different roles and influence on the decision making, depending on the issues.

"I saw it written that I see Hawkey once, twice or three times a day. Well, that's nonsense. There are times when I don't see him for weeks. On the other hand, if there is something vital occurring I might see him that often."

"You are not called upon to see him unless there are things happening that require you to see him . . . but there are different determinants and issues that can come into play."

He concedes that on occasions Cabinet has had more say than himself or Barron.

"The Cabinet and deliberations there are pretty important. We don't often form them (ministers) around. So there are a lot of issues that go to Cabinet before I've talked to him (Hawke) or anyone has talked to him."

"Debates are held and maybe decisions are made or an opinion in Cabinet formed and it's very hard to jump over that."

"It's very rare that you can, there's only a couple of instances where that has happened. So it's not the case that we've got the sitting shot on all these things or anything like it."

Without being "pious", Senator Richardson says Mr Hawke is always keen to consult with his fellow parliamentary leaders, Deputy Prime Minister Lionel Bowen, Senate leader John Button and deputy leader Don Grimes.

"Keating obviously is very important to him. He sees a lot of Keating so that's important. Now, having said all that Peter (Barron) saw Hawkey more than anyone. More than anyone in the country. More

than his wife, probably because Barron worked there all day . . . Now, Barron and I have been able to influence him on some things. We've also tried very hard on others and failed."

"I suppose it annoys me when Hawkey is criticised for paying us too much heed when the reality is that we'd like to criticise him, at least privately, for not paying us enough. I suppose he can't win and neither can we. You never want to get the impression that it's all cut and dried or that it's all one process that happens on every occasion because there are different components."

Keen to set the record straight about his own power - "it's probably time somebody did" - Senator Richardson backtracks to make a point.

The point is critical to the pivotal role the hard-nosed NSW right wing powerbrokers played in switching their support to Mr Hawke in the trigger for the leadership coup against Bill Hayden in 1983.

"The thing that has got to be understood about access and influence is that we (the Right) were the ones that were on the tram at the start, right?"

"We've been there all the way. We weren't late conversations. There was no road to Damascus for us. We were always there and so it is natural that the first places he would look would be to the people who were always there."

"When you become PM you can't always only look there, though. So the best way to describe us is that we might be the first place that he turns but we certainly aren't the only one. I think that's an important distinction."

Senator Richardson puts the dominance of his grouping within the Government down to its "homogeneity".

"If you look at the sort of people that make up the group, their personalities, backgrounds, outlooks, you find there are a lot of things they have in common . . . more in common than perhaps the other groups (the Left and Centre Left factions) would have when they sit around the table."

"It's no secret that the Left have had some spectacular arguments over the years.

"But we certainly haven't. Our people tend to think alike. They are all similar sorts of people. They're not the same, just similar. So we don't normally ever get division.

"I mean, I can't ever remember at our faction meetings a division when you have had to stand up and say we have to have a vote on this."

But he balks at the suggestion that the faction's discipline sets it apart.

"No, it's not discipline, that's what they all say about us. The taunt is that in some way we organise them, suppress their desires and twist their arms up their backs.

"Well that's just nonsense. It doesn't happen. I mean there is just a fair-sized group of people who share a lot of views."

/So does the Right have better leadership than the other factions?/

"Oh, come on. How am I supposed to answer that for Christ's sake?"

/I'm here to ask them, you to answer them./

"Oh, yeah! Well, you might bowl them up but what am I supposed to say? That I'm better than Gerry Hand (the Left's leader) so we go better? I'm not going to say that..."

/Better tactics?/

"It's always hard ... We have never had an election for leadership of our faction. I might say. I don't think we ever have, actually, now that I think about it ... but I never think about it."

He concedes, however, that he and the right wing's Victorian organiser, Senator Robert Ray, form a formidable factional negotiating team.

While the very word "faction" can have onerous con-

notations, Senator Richardson insists that while Caucus meetings under the Whitlam government became "slanging matches from the opening sentence to the last", those under the Hawke Government are relatively peaceful.

"Obviously, you get the odd flash but the reality is that it's been managed better because faction leaders are in possession of a fair amount of knowledge. They can impart it to the troops and a lot of potential disasters are headed off and never see the light of day. It's not a fool-proof system but it's a damn sight better than what existed before."

On the complaint of many MPs that the broader Caucus is not consulted enough, the senator pleads pressure of work on Mr Hawke and Mr Keating and the fact that in the long lead-up to the Budget every year Parliament is in session and MPs cannot be consulted on the big decisions.

Conceding lack of consultation has been a big problem in the Government's Caucus, he insists it's on the improve.

"I think there is an expectation that the PM and the Treasurer should spend more time speaking to the troops and at least sitting down and asking what they reckon, what's happening in their electorates, all that sort of thing."

"That hasn't happened much and so everybody complains."

"But if you look at the workloads of both of them and the hours they put in it's very hard to ever get a system where that could happen. So I don't know that those sorts of problems are ever going to be solved. You've just got to keep trying to do the best you can - trying to keep the lid on the bottle."

Asked how well the Caucus system operates, Senator Richardson says he's not the one to comment because he's not a "Caucus performer".

"I've almost done nothing to speak of in Caucus. I've done very little because I don't want, you know, to intervene when I'm already getting, in a sense, a fair bit of publicity or a fair bit of access or whatever."

"I think Caucus ought to be for those who don't. So I don't try to monopolise Caucus time. I very rarely do anything in there. I do a lot about Caucus but not actually in there."

Despite recent speculation that the Prime Minister is tiring - "He's on a Pritikin diet! Christ, how could you smile on a Pritikin diet?" - Senator Richardson says Bob Hawke is still the man his faction first backed into the prime ministership.

"Not too many polities would have been around as long as him and still rate as highly as him. So he's all right. I knew what we were electing, see? Now, a lot of other people didn't. I always knew I'd be happy with what we were electing. I just never doubted it."

He scorns absolutely the allegation that the Hawke Government has betrayed the traditions of Labor, that it is not a true ALP government and that it has repeatedly torn up party policies.

"There are a lot of those who say that and there is no doubt that we have a restive rank and file. I don't believe that is the view of the rank and file but it is a concern they have. They are restive about it."

"What I'm saying is that I don't think they have decided we are not a proper Labor government but they are wondering about it."

"That's something that we as a government have to address in the next 18 months. I have never believed that you can win an election if the party isn't going to be 110 per cent. It's very important to have the unions and the party behind you. The base has to be intact. You can't fight a war unless the legions are all assembled and well armed. So I think we have got to address the problem."

He rejects outright the suggestion that the Government reacts too much to public opinion, is too cautious and reluctant to get out in front and lead and that it is hardly a reformist government.

"It has done a hell of a lot. I don't think that's a fair criticism. You may wish to attack it by saying you don't like the things it has done. It's very

hard to look back on our three years and say we haven't done much.

"The reform of the tax system was a massive and major reform . . .

"All the deregulation stuff is not in our traditional mold but as I keep reading, socialism is in a state of change. I think when you are put in charge of an economy like ours you must acknowledge it is a mixed economy with a leaning towards the private sector.

"You can't do all that much to alter it. You have got to make sure you manage it properly and well and create enough wealth for everybody to enjoy themselves and improve their standard of living over time.

"That's what we set out to do and in the end I've always believed the (Labor) movement, like the people, judge you on results.

"If you deliver the goods then they will thank you for it. If you don't they will kick you.

"Now, we've had three years of delivering the goods and, by all objective evidence available, the percentage approval in the polls of Hawke is enormous. It's enormous. So I just don't believe the propaganda that the labour movement has decided we are not a true Labor government.

"There is no objective evidence for that.

"It may well be that some people in the party don't like it. It certainly is that case that some people in the party don't like it.

"And it's probably the case that all the people in the party worry about some aspects of it.

"But, overall, you would have to say we've done all right and the reforms we've brought in were appropriate . . . we led on tax reform - we were all out there leading.

"Look, on what are we supposed to lead? All I can say to these people is what are the issues that people are crying out for leadership on?

"The only thing you ever hear talked about is uranium and people just aren't crying out out there for us to lead on uranium."

Conceding he had six months of strained relations with Mr Keating, his factional ally, over the direction of economic policy, Senator Richardson insists the breach is now fully healed.

"I think dealing with the likes of us you are dealing with pretty fair-sized egos.

"They are going to get bruised from time to time and when they do there will be a bit of distance created.

"But it's like a ship sailing on the oceans and all that happens is that you might walk to opposite ends of the deck but you are still on the same ship.

"No one has dived off. And, I hasten to add, no one will. No chance."

/But isn't it extraordinary for you and Mr Keating to stand at opposite ends of that ship for six months?/

"No. No . . . We're allowed to do that. I've known Paul since 1967. It's a long time. I suppose we've earned a blue after 20 years.

"If you look at the timing of it I can't think of one issue that it affected. Not one. And during it, when you say we didn't speak for six months, things were still happening in Caucus that were creating alarm bells.

"I was still the first outside on the phone saving you better get up here, sport, because there is a problem."

Asked if Mr Keating was damaging his chances of becoming prime minister because he lacked humility in dealing with his MP colleagues, Senator Richardson observed that if he had to think of one characteristic Mr Keating and Mr Hawke shared it would not be humility.

"If one went back to Whitlam and others . . . we don't have leaders in the Labor Party who are humble people. You don't fight your way to the top of this scrap-heap being humble. You fight your way there because you've got confidence in your ability and the guts to back up the confidence."

/But you can see what I'm getting at? Does Mr Keating lose people he could otherwise keep on-side because his handling of them is abrasive?/

"Look, I think both Keating and Hawke could do with spending a bit more time with the troops. I don't think either of them would say that was a shocking thing for me to say. And I think they both probably want to but they can't.

"If they did, all would be forgiven. The problem is the pressures of time. But, then, there are people like me to talk to the troops to make sure they understand and accept and do the right thing."

Senator Richardson refuses to declare his hand on whether he will be a starter for the ministry if the Government is returned next year.

He also doesn't concede the point that filling his role as factional boss, numbers man and tactical "sweeper" for Mr Hawke could be a problem.

"You make a decision on your own progress for your own reasons. And there are lots of reasons why I haven't made my mind up. I have done nothing to advance myself in a particular way for the ministry.

"I have never taken the chairmanship of Caucus committees or any of that sort of stuff . . . I've sat in rooms and handed them out and never taken one for myself.

"I won't overestimate myself. Obviously there would be some who would like to think I'd stay in this job forever . . . some because they think I do a great job and others who are rivals for a ministerial ballot.

"But I don't worry about anything like that. It's not a determining factor in anything I do.

"I will make up my mind to run for the ministry after talking it over with my family and friends and for my own reasons.

"It will have nought to do with whether or not anyone thinks I should stay doing what I'm doing or anything else . . . rather, just because I either want to do it or I don't."

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AUSTRALIA

ROLE, IMPACT OF SOCIALIST FORUM ANALYZED

Sydney THE AUSTRALIAN in English 23 Jun 86 p 13

[Article by Paul Austin]

[Text]

WITHIN the Socialist Left faction of the ALP, where conspiracy theories abound, one organisation evokes more in the way of emotional response than any other — the Socialist Forum.

To its supporters, the Forum is seen as something of a saviour of socialism in Australia, the catalyst through which the country's progressive thinkers can exercise an influence on the political agenda.

To its detractors, and they are many and loud, the Forum is a divisive and destructive force, to be blamed for most of the troubles that have plagued the Left in the 1980s.

The militant old guard of the Left, led and inspired by the now expelled ALP activist Mr Bill Hartley, has tried to have the Forum proscribed, describing it as being as bad as the reactionary right-wing group, the National Civic Council.

Supporters of Mr Hartley, and even some from the more progressive new guard Left, point the finger at the Forum when attempting to explain the demise of the once-militant Australian Union of Students, the re-admission to the Victorian ALP of four big right-wing unions, the abandonment of ALP policy to abolish the Victorian Upper

House, the Nunawading by-election how-to-vote card debacle, and the continuing ructions between the old and new guards of the Left.

Indeed, in some quarters, the term "Socialist Forum" is pronounced with such hatred that it becomes a term of abuse.

Amid all the vitriol there is considerable ignorance. Most outside the ALP, and some within the party, have little knowledge of the Forum, its objectives and its *modus operandi*.

The Forum was formed almost exactly two years ago after the traumatic split in the Communist Party of Australia (CPA), which saw most of the CPA's leadership in Victoria walk out.

Among their number was one of the grand old men of far-left politics in Australia, Mr Bernie Taft, and his articulate son, Mark.

The Tafts and others of like mind organised two public meetings at Unity Hall in Melbourne, the outcome of which was the creation of the Forum, a left-wing discussion group open not only to members of the CPA and the ALP, but to anyone wanting to trade political ideas.

Today the Forum claims about 300 members. About 60 of these are or have been members of the CPA, about

180 are in the Labor Party, and about half of these in the Socialist Left, while the rest confess no official political affiliation.

The fact that the Forum is so difficult to define — it has no policies, makes no resolutions and is not a political party — is the main reason it is regarded with such deep suspicion by some in the ALP.

Significant progress

The Forum's statement of identity says in part: "Rigidly held positions have no place in our project. An openness and preparedness to share and discuss differing experiences is vital . . . we stand for open discussion in which participants are not frightened to put forward their views and to ask questions."

In a party such as the ALP where factionalism and numbers crunching is an art form, and where open discussion of controversial issues is rarely encouraged, the Forum is promoting an alien concept.

According to its only full-time organiser, Mark Taft, the cross-factional aspect of the Forum goes a long way towards explaining why some within the ALP blame it "for

everything but the muddiness of the Yarra River".

Where there is a lack of understanding, says Mr Taft, the urge to look for a conspiracy becomes overwhelming.

Mr Taft, an intense and endearing man in his mid-thirties, a Vietnam draft resister and product of the Monash University "school of student activism", mounts a persuasive defence of his organisation, many of whose members were fellow radicals in the Vietnam era.

He and 23 other senior communists quit the CPA in 1964 because they believed it was becoming increasingly irrelevant. It was time, they argued, to take socialism out of the margins of Australian political culture.

The Forum is Mr Taft's means of achieving that end, given that he acknowledges the ALP is entrenched as the legitimate party of the Labor movement.

His support for Labor governments - "I do not believe you will see significant social reform in Australia unless you see a period of consecutive Labor governments" - and for the ALP ACTU Prices and Incomes Accord contributes to the Forum's alienation from the old guard Left.

So too does his outspoken attitude on the deficiencies of the ALP Left.

"The Left in Australia is weak, despite what some people might think. It's on the defensive, rather vulnerable and in the federal sphere, with some exceptions, not terribly relevant," he says.

In what many would see as a contradiction in terms, Mr Taft says much of the Left is very conservative, particularly in its attitude to the future of working life in a rapidly changing world.

He says, for example, that while traditional left-wingers are dreaming re-runs of the workers' victories in the French and Russian revolutions, the trade union movement in Australia has suffered crippling defeats in the Queensland power workers and Dollar Sweets disputes.

The Forum aims not to replace the Left, but to make it more effective.

"Our concern is not to see one group triumphing, it's rather a concern to see the political agenda changing in Australia. To see the Left become relevant to Australian political life in a way that has not been true now for several decades," says Mr Taft.

"We're talking not of an oppositional Left, but of a Left that intervenes in political and social decision-making. A Left that wants real change, not just minor tinkering with the social system. A Left that recognises the constraints of public opinion and puts up realistic and realisable proposals for social change."

Mr Taft argues that the Left has made slow but significant progress in the past two years, in part because of the influence of the Forum.

"People in the Left are openly discussing issues where they would not have done so before," he says. "Significant sections of the Left now believe in the strategic need for negotiated agreements between the Labor movement and Labor governments. Sections of the Left are now saying that mechanisms other than mere protectionism are necessary for industry revitalisation and the creation of a viable manufacturing base."

"People on the Left are now saying that sometimes people outside our own faction have sensible views. Now, that's a bit of a change in the Left."

Mr Taft believes the need for a more viable Left is made all the more urgent by the impact that the New Right, represented by the Federal Opposition leader Mr Howard, and his Treasury spokesman, Mr Carlton, is having on the political agenda.

This, says Mr Taft, has "horrific, frightening" implications - a deregulated labour market, privatisation, large differences in wage levels, diminution of trade union involvement in decision-making, an attack on the social wage and the legitimisation of selfishness.

Hence the need for the Left to redefine its socialist objective in contemporary terms, which means fusing socialism with democracy, where in the past the two models have been estranged.

In Mr Taft's words: "We need to have a mass conception of social change, rather than minority vanguardist conceptions. We need to recognise that change will come over time through reform based on majority popular support, not through revolutions, massive disruption and dislocation based on minorities."

"The difficulty of getting acceptance of that within the Left is very great because our culture, our background, our history is such as either not many people understand the need for majority support or, in some cases, to actively oppose such views... it's taking an awfully long time for the Left to grow up."

Comments such as these are, not surprisingly, resented by many in the Left. A typical response is: "We don't appreciate someone outside the party telling the party how to operate."

Practical followers

Mr Taft says he believes in political parties and will join the ALP when he finds the time, although he enjoys the Forum because it lacks the disciplines and constraints that are part of any party.

"The most relevant period of my political life has been working for the Forum where I haven't been passing resolutions," he says.

The passing of resolutions - a ritual of almost spiritual significance to many in the ALP - amounts to little if, as Mr Taft contends, most are filed away destined to become items of archival interest.

The absence of decision-making does not, he argues, mean the Forum is nothing more than a talk shop.

While many Forum members have tertiary qualifications and influential jobs in government, the union movement or the public service, few are academics. This, says Mr Taft, is because so many Australian Left academics concern themselves almost exclusively with abstract, scholastic concepts.

"The Forum doesn't appeal to people who are not practical," he says. "It doesn't appeal to people who are simply interested in number-punching. It does appeal to people who in their day-to-day lives are concerned with the implementation of ideas."

The Forum's only other staff member is part-time organiser Ms Julia Gillard, who, like four other members of the organisation, is a former president of the Australian Union of Students. Unlike Mr Taft, Ms Gillard is a member of the ALP and the Socialist Left.

Last year, when Mr Hartley was trying to have the Forum proscribed, Ms Gillard spoke at numerous ALP branch meetings in an attempt to allay fears and overcome prejudices. The mission was only partially successful.

She says the ALP "rumour network" is difficult to combat, and although some of the

allegations made against the Forum were "quite laughable", there could be no doubt that at least some of the mud would stick.

Some of the more notable identities who have contributed to Forum debates - whether at the weekly discussion meetings or less-frequent seminars and discussion papers - include the ACTU leaders Mr Simon Crean and Mr Bill Kelty, both of the right-wing Labor Unity faction, Senator Peter Cook of the Centre-Left, and Victorian left-wing Cabinet ministers Mrs Caroline Hogg and Mrs Joan Kirner.

It is perhaps indicative of the bitterness with which the Forum is regarded in some quarters that Mr Taft felt unwilling to reveal the names of members of Parliament who are in the Forum.

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AUSTRALIA

EDUCATOR HITS 'NEW RIGHT' THREAT AGAINST UNIONS

Sydney THE AUSTRALIAN in English 27 Jun 86 p 13

[Commentary by Alex Carey, honorary visiting fellow, the school of Psychology, University of New South Wales: "The New Right Is Working Overtime Against Unions"]

[Text]

TWO things are clear about the present circumstances of Australian unions. First, with membership at some 52 per cent of the workforce, the Australian union movement is arguably one of the strongest in the world. Second, it sees itself gravely threatened — and with some reason — by an Australian version of the neo-conservative radicalism which has triumphed in the United States and the United Kingdom.

The Australian variety of the neo-conservative (or "new right") movement may, for purposes of broad identification, be represented by Hugh Morgan, Lang Hancock and John Leard among industrialists, and John Howard, Senator Chaney and Sir Joh Bjelke-Petersen among politicians. The movement has made the reform or dismantling of the arbitration system, for the express purpose of reducing what is seen as "excessive" union power, a priority objective.

Whether unions retain their relatively favored position in Australian politics and society will depend in part at least on how well they analyse and respond to the neo-conservative challenge. There is much in this connection that the union movement can learn from the rise and fall of its American counterpart in the decades since the 1930s.

The Wagner Act of 1935 gave American workers extensive rights and legal support in organising unions and bargaining collectively. An unprecedented growth in the American labor movement followed. But by 1946 strikes, conducted with scant regard for public relations, reached an all-time high.

The following year Congress passed the Taft-Hartley Act (which had been drafted by the peak employer body, the National Association of Manufacturers) over President Truman's veto. This act severely curtailed union rights and freedoms. It was expressly designed to reduce allegedly excessive union power. In the long run its passage played a significant part in the decline of the American labor movement to its present state of political impotence.

The level of strikes in Australian industry generally has been much reduced in recent years. But in service industries, where stoppages cause maximum inconvenience to the public, strikes still make frequent headlines. Meantime, union leaders have obtained a much higher profile in the councils of government. For many people these circumstances give plausibility to the claim that unions are now too powerful; and even to the time-honored charge, recently featured in John Leard's many full-page advertisements, that "the unions are running the country".

The pre-eminent lesson from American experience must be that in the long run the union movement will prosper or come to disaster according to whether it gains or declines in public sympathy.

The point may be reinforced from recent Australian history. Long before Malcolm Fraser lost government he had enough legislation on the books to cripple the union movement. He did not use it only because his opinion polls showed that he would not have the support of the (voting) public. That tactical error will not be repeated, despite Mr Howard's impatience for a leap to "dryness". Next time around the (neo-conservative) priorities will be reor-

dered: first get your public opinion right, then worry about legislation.

The campaign of persuasion on behalf of freer free enterprise operates at two levels: a popular level aimed at the general public and a more elite level aimed at so called opinion-formers and other influential people.

Enterprise Australia, founded in 1978 and financed by some hundreds of corporations, is the principal vehicle of popular proselytising in Australia. In 1979 it brought Mr Bart Cummins, top executive of the Advertising Council in New York, to Australia to promote its cause. "As Enterprise Australia has been telling you," Mr Cummins advised meetings of business leaders in every state, "you've got to persuade the electorate that they've got a great system ... the greatest system the world has ever known".

Mr Cummins should know. From 1975 to 1980 he organised a nationwide proselytising campaign on behalf of American corporations that *The New York Times* described as a "study in gigantism ... reaching practically everybody".

By 1978, according to a congressional inquiry, American corporations were spending \$1 billion a year on this campaign. By 1980 the Advertising Council's annual opinion polls revealed — to its satisfaction — that support for deregulation of the economy had grown from 42 per cent to 60 per cent.

Enterprise Australia has attempted to emulate these American achievements. Its campaign of persuasion has extended from schools to universities, from millions of dollars worth of radio slogans to TV series and video courses in "economic education" for employees. But it is meeting resistance — from teachers and unions and even from sections of the business community.

At the more elite level the principal proselytising agencies are the raft of conservative think-tanks that have been launched in most Australian capital cities during the past decade. Most of these think-tanks give as much emphasis to spreading their message to a large range of "opinion formers" as they do to producing research and reports in support of it.

Thus the proselytising work is divided. Enterprise Australia directs its efforts to warning the populace at large that our entire way of life is under threat from the power of militant unions and other "extremists" who are said to be intent on "wrecking the free enterprise system".

The think-tanks play a parallel, if more tem-

pered, role. Their efforts are directed to setting the agenda, the terms of debate, for what Professor Harold Lasswell calls "the talkative professions": editors, columnists, commentators, MPs and such. The think-tanks do this by producing an unending flow of studies, reports and analyses which ostensibly show that a free market solution is best for every conceivable social problem.

There is considerable evidence to suggest that anti-union public relations work is having an effect. Recent public comment and discussion appear to accept without challenge that there is now an imbalance in management-union power which favors unions. This is a somewhat surprising belief to find so prevalent at the end of a three-year period which has seen a large decline in strikes, a substantial decline in real wages, a large increase in the percentage of GDP going to profits as compared with wages, and stock market prices at an all-time high.

Moreover, surveys of opinion about unions reveal that it is not the unions with which respondents are familiar — to wit their own — that they regard as greedy, too powerful or generally unreasonable. Rather, it is all the other unions, the ones of which they know little except via the media.

An extensive survey by Professor John Niland (also of the University of NSW) reveals that a representative sample of managers has much more favorable opinions of unions with which they are familiar, than of unions with which they are not familiar! All these results provide at least indications that something besides the behavior of unions is doing the public image of unions considerable damage.

Powerful new proselytising agencies are at work whose considerable output and influence on public opinion will not (to put the point at its mildest) *assist* the public image of unions. Yet in a democracy the union movement must, in the long run, live or die by its public image.

There is therefore a greater need than ever for unions to pay close attention to their public relations; and that, in developing strategies for pursuing reasonable objectives, they elevate public relations considerations to a position of first importance. This will require much more attention both to explaining their policies and behavior to the public and to finding ways to minimise public inconvenience when unions take industrial action.

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AUSTRALIA

MILITARY OBJECTIONS TO OTH RADAR REPORTED

Sydney THE AUSTRALIAN in English 23 Jun 86 p 2

[Article by defence editor Peter Young]

[Text]

A TOP secret report which calls for the speedier development of the Jindalee over the horizon (OTH) radar system and a possible new surveillance command is to go before the Defence Force Structure Committee in Canberra this week.

It is almost certain to spark off a revolt within the military over what is seen as an increasing civilian encroachment into operational areas.

The report is named for its author, Dr Michael Gilligan — a senior defence bureaucrat in the Force Development Analysis Division of the Department of Defence. It calls for a priority allocation in the next financial year of \$375 million for the development of three OTH stations.

It carries the highest security classifications and is believed to be accompanied by a memo from the Secretary of the Department, Sir William Cole, further limiting its distribution on a "need-to-know" basis.

The report would normally be welcomed by the services, which are all too aware of the value of the OTH surveillance system as a long-range warning trip wire. Many within the services, however, see the report as being based on claims unsubstantiated so far.

Jindalee is designed to detect intruders at ranges of up to 6000km by bouncing a radar beam off the "E" layer of the ionosphere to hit a target. The echo travels by a similar path to a separate receiver, where the echo and related doppler shift formation is processed by computers.

The system allows more than a million square kilometres to be covered at once, and brings a new dimension to the problems of the surveillance of Australia's northern approaches.

The only problem is that while Jindalee can warn that something is coming, it cannot differentiate between friend or foe. As a result, the conventional wisdom calls for a mix of Jindalee and an airborne early-warning and control aircraft to identify the target and control any response force.

Yet despite these limitations, the report is believed to claim that Jindalee can eventually carry out acquisition surveillance and identification as well as vector control of response aircraft. This is believed to be used in the report as a rationale for the further deferment of buying an airborne early-warning aircraft.

Given the rapid increases in computer software, these claims could well be true, but these capabilities lie well in

the future. There are also problems of the vulnerability of the fixed-ground installations to raids and air attack.

Both the installations and response fighters would also be open to electronic counter-measures if the system were to be used in the control and vector role.

Much of the findings of the Dibb Report in the area of surveillance are believed to be based on an unquestioning acceptance of the Gilligan Report. Not only does Mr Dibb recommend that the highest priority be afforded to Jindalee, but he suggests that the acquisition of airborne early-warning aircraft be deferred until Jindalee has had the chance to prove its potential.

In turn, the Gilligan Report is believed to be feeding off the endorsement provided by Mr Dibb. But the services, and the RAAF in particular, believe that much more work should be done before a final decision is made.

The report is believed to be scheduled for consideration by Cabinet in July. It is believed to contain provisions designed to exempt it from any further critical assessment or input from the services.

This rushed passage through the normally slow and obstructive committee system is being questioned by the military. They are all too aware of the civilian control of the committee system agenda and their history of deferring proposals for further study.

One source said that if such a tenuous report had come from the services it would be "laughed out of court" by the committee. Yet what is being seen as a shaky technical and decidedly suspect civilian-based operational concept is being given priority treatment.

The services also point to the recent findings of the Joint Parliamentary Public

Accounts Committee review of defence project management, which cited the Jindalee project as lacking in project definition and planning.

They believe the report does not meet the criteria laid down in the review that projects should proceed only on the basis of a "high degree of assurance as to the outcome in terms of cost and performance".

Many within the defence sphere believe the report should be held back for further study and action taken only after it is integrated with the Air Defence Surveillance Elements Study and a similar study on air defence being done by the RAAF.

No confirmation was available from the Defence Department, and Dr Gilligan yesterday refused to make any comment other than to confirm the existence of the report.

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AUSTRALIA

DEFENSE ESTABLISHMENT CRITICIZES DIBB REPORT

Sydney THE AUSTRALIAN in English 25 Jun 86 p 13

["Defence" column by Peter Young: "The Pros Aren't All that Impressed"]

[Text]

WHEN the Dobb report was released it was greeted with acclaim by the media. The political pundits had a field day.

But Mr Dobb is now coming up against the professionals. And despite the fact that every effort had been made to pre-empt such critics by painting them as outdated sabre rattlers, the hard military realities behind the assumptions made by Mr Dobb are now coming home to roost.

The common criticism is that Mr Dobb has made an over-optimistic assessment of the region and that the narrowly based force structure suggested by him would not be able to respond quickly enough to any indirect regional threat.

Last week Senator Harradine (Ind, Tas) dismissed the report as "virtually irrelevant" to Australia's defence needs because of its over-optimistic assessment of the region. In a detailed paper incorporated into Hansard, he described it as a policy of "undefended neutrality" which ignored the economic and military penetration of the South Pacific by the Soviet Union and its client States over the past decade.

Senator MacGibbon (Lib, Qld) went further, describing the report in the Senate "as a series of totally false assumptions". It was, he said, based

on a strategic assessment which was little more than "a political document drawn up by public servants in the Department of Defence to cater to the known prejudices and beliefs of the Government".

The Opposition spokesman for Defence, Mr Sinclair, condemned it as "a retreat into Fortress Australia that would further isolate us from the US alliance and alienate our ASEAN and regional friends".

Each of these men, of course, has a political axe to grind, but all have access to a wide range of top-level military advice.

Their closely detailed criticisms must be accepted as reflecting those of the military who believe the report will seriously limit the options open to any future government to exert influence within the region.

Similar doubts were raised by Commodore Allan Robertson in a recent paper for the NSW Institute of Public Affairs which concluded that the report was "isolationist, and would be seen to be so by the United States and our ASEAN friends and neighbours in the south-west Pacific".

The influential national council of the Australian Defence Association has condemned the report as "no more

than a recipe for a reduced defence capability".

But the strongest criticism comes from Admiral Lyons, the US commander in the Pacific — the man charged with the collective Western defence of the region. He has described the report as "reflecting the rhetoric of the Left". His attitude leaves no doubt that Washington sees Mr Dibb's arguments as isolationist and moving towards a New Zealand-style brogation of our obligations under ANZUS.

Mr Dibb, he said, does not perceive that there is any threat to Australia, but the Soviet Union already has the capability to threaten Australia from its base in Vietnam as well as being able to interdict sea lanes and lines of communication within the region.

This Soviet military expansion, he said, was being backed by a matching diplomatic and trade offensive designed to neutralise American influence and to break up the Western alliance.

In his speech to the National Press Club last week, Mr Dibb strongly defended his views — but was quick to retreat behind the endorsement of his plans by the Chief of Defence

Staff, General Sir Philip Bennett, and the national president of the RSL, Sir William Keys.

While both men have welcomed the broad thrust of Mr Dibb's proposals, they have expressed serious reservations over his strategic assumptions of a benign region and many of the force structure proposals that stem from it. Each of the service chiefs has taken a similar line — with each calling for further studies to be carried out before being prepared to endorse the individual service equipment and force structure recommendations in any future White Paper.

Rivalries

The RSL welcomed the report as a valuable contribution to the debate — which it is. But Sir William questioned whether Mr Dibb had been working to politically inspired instructions in tailoring his plan to the financial constraint of 3 per cent of GDP. He also seriously questioned Mr Dibb's strategic assessment.

Instead of the stable region put forward by Mr Dibb, there

were nationalist and development pressures, religious rivalries and inroads by the USSR and Libya — all of which Sir William said made the area "the most dynamic in the world with a concomitant potential for instability".

These views reflect some of the best professional advice available. Yet they are already being brushed aside as part of what Mr Dibb terms "the phony debate" as he now embarks on a government-funded campaign to sell his proposals.

To some, this puts Mr Dibb in the role of an expendable "facilitator" with the task of drawing the crowds and defusing and depoliticising any embarrassing argument. It is a role which will allow the Government the freedom to choose the most politically acceptable course once the arguments have been fought in the military arena.

This might be good politics but the weight and authority of the common criticism should be enough for the Government to stop playing politics with defence and call for an immediate re-evaluation.

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AUSTRALIA

FINANCE DEPARTMENT FIGURES SHOW \$800 MILLION DEFICIT GROWTH

Melbourne THE AGE in English 21 Jun 86 p 1

[Article by Robert Garran]

[Text]

CANBERRA.— The federal budget deficit is likely to blow out by \$800 million to almost \$5700 million, putting even greater pressure on the Federal Government's tough economic policy stance.

The \$800 million blowout, significantly more than was previously expected, was revealed in Finance Department figures released yesterday.

The Government is already under considerable pressure to cut spending to take the pressure off the dollar and allow interest rates to fall. It also hopes its spending cuts will reduce the demand for imports and improve the worsening trade deficit.

A spokesman for the Treasurer, Mr Keating, said last night the Government had known for several weeks that the deficit would be more than \$5.3 billion, compared to the \$4.9 billion deficit expected at the last budget, but said the outcome would not be known until the June figures were available.

The statement, on the Government's budget position in the 11 months to May, was released yesterday by the Finance Minister, Senator Walsh. Senator Walsh said changed economic conditions would add \$600 million to Government spending, and Government decisions would add another \$180 million, while revenue would be close to estimates.

The spokesman for the Treasurer said the blowout would put even more pressure on next year's budget. The Government already faces a severe headache in trying to keep the 1986-87 budget deficit under the \$5.5 billion target set by the economic trilogy promise.

The Opposition Leader, Mr Howard, said the figures were further evidence that the Government's economic strategy had disintegrated. "They show what a mammoth budget task the Government is facing," he said. "It is another example of the Government misleading the public."

The Finance Department statement said spending had been higher than expected largely because assumptions underlying the budget had not been met, particularly in the area of exchange rates, unemployment benefits and interest rates. This had added more than \$600 million to spending.

The spending jump was caused by:

- The fall in the dollar making imports by Government more expensive.
- The Government having to spend more than expected on unemployment benefits.
- High interest rates forcing the Government to pay more for its borrowings.

The statement said Government decisions — chiefly the decisions to compensate oil producers

for lower oil prices and to subsidise lending by savings banks — had added a further \$180 million to Government spending.

On the revenue side, it said the shortfall in collections from company tax, sales tax and the crude oil levy were expected to be fully offset by increases in revenue from other areas such as excises and customs duty, and from taxes on interest, rent and dividends.

Government receipts were expected to slow further this month, with the latest estimates showing that the growth in total receipts for the financial year would come in close to the 12.6 per cent estimated at budget time.

This means the budget blowout is almost entirely due to over-runs in Government spending.

The chief economist with the National Mutual Royal Bank, Dr John Marsden, said last night that he and most other private economists believed the economy would grow only by 2.5 per cent next financial year. He said that even though many economists mistrusted the recent national accounts figures, which showed no economic growth during the six months to March, it was highly unlikely eco-

nomic growth would pick up enough to meet Government expectations of three to 3.5 per cent growth for 1986-87.

He said slower economic growth meant the Government would receive less in taxes and have to pay out more in unemployment benefits, adding further pressure to the difficult budget task the Government is facing.

The Government's target for spending cuts earlier this year was \$1.4 billion, but events since will have pushed this target higher. In his address to the nation last week the Prime Minister, Mr Hawke, said the Government had identified \$1 billion in cuts, and Senator Walsh said later than \$200 million more had been found since.

Cuts to the states at last Friday's Premiers' conference have added about another \$450 million to the cuts.

In his address to the nation Mr Hawke said that the Government would give priority to "sustaining its welfare policies". He is believed to have assured the Social Security Minister, Mr Howe, that the welfare sector will not bear the brunt of the cuts.

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AUSTRALIA

FEDERAL TREASURER OUTLINES LONG-TERM ECONOMIC STRATEGY

Sydney THE AUSTRALIAN in English 21-22 Jun 86 p 21

["Exclusive" article by Paul Keating, Federal Treasurer: "Saving Australia"]

[Text]

AS the Prime Minister explained in his address to the nation last week, the most pressing economic challenge facing Australia today is that forced upon us by international circumstances.

In a nutshell, the prices we are paid for our exports have fallen dramatically with the result that as a nation we are spending much more abroad than we are earning. We must face up to this fact of life. We have no choice.

It will involve some tough decisions and some difficult adjustments as we strive to broaden and deepen our export and import competing base.

But the end result will be rewarding. We are embarking upon a process which will see a fundamental re-balancing of the Australian economy. It will emerge with a more sophisticated and modern structure, better able to fulfill the legitimate aspirations of ordinary Australians for economic growth and jobs.

But it is only through laying the foundations now for future economic growth that we hope to maintain and enhance the living standards which Australians desire. Equally, that is the only course by which we can hope to increase

the ability of government to assist those in the community most in need.

Adjusting the Australian economy to reduce its unsustainable balance-of-payments deficit requires us to continue the program we have followed in government to date of addressing the fundamental, underlying issues in economic policy-making.

For instance, while we have always understood there was a requirement for some public-sector stimulus to the economy to overcome the recession that gripped Australia when we first came to office, we also have recognised that public-sector deficits in this country were becoming unsustainably large. In our first Budget in 1983 we were confronted with the prospect of a massive fiscal imbalance — a prospective Commonwealth deficit of around 5 per cent of gross domestic product (GDP). In three years we have progressively reduced the Commonwealth deficit to less than half of that figure. To appreciate the significance of that achievement it is worthwhile to understand that during the same period the United States' Budget deficit has remained stuck at about 5 per cent of GDP.

Laying the foundations

At the same time we have redressed the chronic disruption to the profit and wage shares that was a legacy of the Fraser government. The profit share of GDP has been restored to its level of the late 1960s-early 1970s. Agreed wage restraint has reduced real unit labour costs sharply. It is this shift in the economic fundamentals that has underwritten the creation of more than 600,000 new jobs under the Hawke Government.

Some in the community seem to take this rate of employment growth for granted. However, you have only to think back to the period of late 1982, when unemployment had doubled to 700,000 in a year, corporate profits had been smashed and bankruptcies were rife, to understand the enormity of this achievement.

Underpinning Australia's economic recovery has been our accord with the ACTU. Again, this has brought about fundamental changes. The accord has succeeded in overcoming Australia's traditional chronic failure to sustain a growth cycle beyond a short period. It has provided a basis for a moderation in wages

growth that has resulted in hundreds of thousands of ordinary Australians gaining employment. Moreover, it has contributed to a dramatic decline in the level of industrial disputes to a 17-year low, and a consequent benefit to productivity.

More recently, the area of economic policy-making that the Government has concentrated upon is bringing about fundamental reform in the taxation system. Once again it was an area ignored by our predecessors, with the result that during their period of office tax avoidance was rampant and literally millions of ordinary Australians, forced to shoulder a greater share of the tax burden, were progressively pushed up into higher tax brackets. There is no greater indictment of the scandalous neglect practised by the Fraser-Howard administration than their failure, until dragged kicking and screaming by the Costigan and McCabe-Lafranchi reports, to do anything to arrest the explosion of the notorious bottom-of-the-harbour schemes.

In a sense, the aim of the reform package is to even out the playing field and allow all individuals and economic activities an equal go. It is only in this way that we can ensure that the most productive and efficient industries are nurtured, instead of stimulating industry on the basis of little more than an artificial tax break. At the present time, with the crucial necessity for Australian industry to adapt to changed international circumstances, it is even more essential than before that Australia's financial resources be used in the most efficient and effective manner possible. Tax reform assists that aim.

Yet another area where the Government has sought to bring about fundamental reform is the financial system. Again, the objective of our changes has been to enhance the efficiency of the economic system in order to lift its potential for growth and job creation. And yet again, while it was an area dabbled in by our predecessors, vested interest groups had prevented the coalition from making any substantial changes.

When we came to office we inherited a cloistered and insular banking system.

The way to cure that was by competition, and so we have admitted to Australia a select group of the most high-quality banks in the world. These banks are now in the process of opening up their doors throughout Australia. And our banks have responded to the challenge — I have no doubt they are better, more efficient and are providing an improved service to their customers.

Once again, the whole purpose of these changes was to enhance Australia's prospects for economic growth. Instead of being limited by the old rationing devices, business — big and small — is now better able to gain access to the finance needed to develop and expand.

Of all the financial-sector reforms, the most fundamental we have undertaken was the decision in December 1983 to float the Australian dollar. It is a measure of the far-reaching and interlocking nature of the economic changes that it is this decision that will make a major contribution towards correcting the balance-of-payments deficit to which I referred earlier.

In the first instance, allowing the value of the dollar to be set in the market instead of having its value arbitrarily set by the Government of the day — or, more often than not, by the bureaucracy — has been a major benefit to our export and import competing industries.

Before, the coalition government had deliberately overvalued the exchange rate as a crude anti-inflation device. Since they had no workable incomes policy, they used the exchange rate as a device to moderate price rises in the cost of imported goods and exert downward pressure on the prices of domestically produced goods. But the cost of this policy was that horrendous cheap imports ripped to shreds a major part of our manufacturing sector while our primary exporters were robbed of billions of dollars of income.

The float of the Australian dollar has changed that. Governments can no longer resort to this crude policy. But,

unfortunately, the damage was done. The sacrifice of Australia's manufacturing sector in an unsuccessful attempt to reduce inflation is one of the main reasons why our economic base today is less diverse than it ought to be, and consequently we have been placed too much at the mercy of international commodity prices.

Secondly, the depreciation which followed the decision to float the Australian dollar is our chief weapon in turning the current account deficit around. The lower-valued dollar makes exporting more profitable, imports less attractive and the manufacture of products here in Australia more lucrative. In essence, the changed value of the dollar is a major force to re-balance our economy, shifting the emphasis away from traditional commodities subject to the vagaries of international price shifts on to a more balanced, sophisticated and modern basis. All these things contribute to reducing our international trading deficit.

Competition was the cure

There is plenty of evidence that the depreciation is working to bring about these changes. For instance, recent statistics show that while Australia's imports of consumption goods have fallen, imports of capital goods have risen. Such a response is typical of a country gearing up to take advantage of new market opportunities — both at home and abroad — generated by a currency depreciation.

Similarly, recent figures show that in volume terms (that is, ignoring price changes) there has been a 14 per cent increase in Australia's exports from the March quarter 1985 to the March quarter 1986, compared with an increase of only 1 per cent in the volume of imports over the same period. Again, this is firm evidence of the depreciation working to turn around the current account deficit.

But these positive developments have been overshadowed by the collapse in international commodity prices. This is a fact of life for which no one in Australia is to blame but which we can ignore only at our peril.

This fall in export prices means that the economy has moved to a position where we are spending a good deal more abroad than we are earning. That gap — our current account deficit — is being made up by borrowing to finance current living standards. But clearly we cannot go on running a current account deficit of \$14 billion indefinitely.

To look at it another way, the world purchasing power of the output of the Australian economy has fallen dramatically. According to the Bureau of Statistics, if the healthy 4 per cent economic growth rate we had in the 12 months to March is adjusted for this change in our international purchasing power, our economic growth rate would be cut to only 1 per cent.

Already this cut in our national income has been felt by some sections of the community, particularly exporters, such as our farmers and miners, plus other companies that deal in internationally traded goods.

Of course, the Government recognises that the burden of this adjustment must be shared by the whole community, rather than left to impact on a small group of producers and workers. And if we are to give time for the depreciation to work — and for our economy to re-structure in the way I described — we must ensure that our cost structure in Australia does not diminish our international competitiveness.

For these reasons we have in place a balanced and credible set of policy adjustments, and in adopting these policies to turn around the current account deficit we will also be directly attacking one of its major symptoms: the build-up in recent years of Australia's external debt.

We recognise that while earlier this financial year there was a role for monetary policy in moderating demand and, therefore, assisting in cutting

the level of imports, if the investment needed to bring about the economic changes required is to take place we must nurture a climate conducive to reducing interest-rate pressures. As a consequence, we have consciously sought ways of shifting the emphasis of policy on to other areas.

The first of these is Budget policy, where we have committed ourselves to continued expenditure restraint within the context of our historic trilogy of commitments on government spending, taxation and the Budget deficit. Already the Prime Minister has said our Expenditure Review Committee of Cabinet has identified spending cuts of \$1 billion, while at the Premiers' Conference on Friday of last week we sought and gained additional reductions of more than \$400 million in Commonwealth outlays to the States. Further, we have reduced the States' ability to borrow by about \$800 million.

Aside from our intention that these changes will assist in shifting away the emphasis from monetary policy, they have been undertaken because we recognise there are important direct and indirect linkages between public-sector spending and the balance-of-payments deficit. Reductions in public-sector spending will, as a result, make a direct contribution towards correcting our trade problem.

In this regard, I have noticed that there has been some commentary along the lines that the way in which we have constrained the States will impact more adversely on their capital spending rather than their consumption spending. Implicit in that argument is that all State capital spending is somehow of a productive nature — a debatable view given the over-indulgence in grand projects that occurred during the false resources boom of the Fraser era.

But more to the point, it ought to be remembered that the government borrowing program given by the Commonwealth to the States is, in fact, often used for recurrent (or consumption) purposes.

Hence, last week's Premiers' Conference should be seen as resulting in a clear reduction in payments to the States for recurrent, as well as capital, purposes.

Secondly, we have declared our intention of seeking further adjustments in wage rises. In addition to the 2 per cent discount currently being considered by the Conciliation and Arbitration Commission, Mr Hawke has signalled the Government's intention of seeking a further discount in the next national wage case. Further, we believe the 2.3 per cent wage rise expected to result from the current case should be the only wage rise this year. Finally, we believe that implementation of the current superannuation claim — already delayed and reduced from the original claim — should be as limited as possible in 1986.

At the same time we have recognised that in order to achieve a successful economic adjustment it is also essential that the business community make a significant contribution. Consequently, we have announced an enhanced role for the Prices Surveillance Authority, and the Prime Minister has called upon business executives to show similar restraint asked of their workers.

Of course, we understand that it is a difficult thing to ask the community for restraint. There is a brutal choice here — an equitable sharing of the income loss between job holders and the rest of the community, or the loss of jobs by some.

Together, our proposals will make a major contribution to enhancing Australia's competitiveness and reducing our inflation rate. The Government believes that with the successful implementation of the policy adjustments that it has now embarked upon — and general community support — Australia's inflation rate can be brought down within striking distance of the OECD average by the end of 1987.

In adopting this course we have rejected the option of seeking to correct the balance-

of-payments difficulties by throwing the economy into reverse. In some ways that would have been the easiest option and there is no doubt that it can work to reduce the current account deficit, as Mr Fraser and Mr Howard showed in 1982. But it would be at the cost of a big rise in unemployment and a smashing of business confidence.

We also reject the quaint notion that appears to be about in some quarters that the labour market can be controlled by a combination of a fairy wand and abuse of trade unionists.

This seems to be particularly prevalent among some of the organisations that have sprung up in recent times in an attempt to make up for the Liberal Party's failure to provide the Government with credible opposition. Their views are often accompanied by such intellectual inconsistencies as a call for a wages freeze while at the same time championing the virtues of a decentralised labour market. The reality is that the experience of the 1981-82 wages explosion should finally have proved to us all that the only effective way to secure decent wage outcomes in this country is through a process of discus-

sion, negotiation and by honestly explaining the economic circumstances to working Australians.

In a similar vein we reject the official Liberal Party's crackpot ideas that Australia should become a test-tube for radical experimentation with theories of decentralised labour markets. We've seen Margaret Thatcher's attempt at the same policy, which has given Britain 8 per cent wages growth and 14 per cent unemployment. The fact is we have to deal with the world as we find it, not how we might wish it to be after the five to 10-year "economic battleground" that Mr Howard has foreshadowed if his theories were to be tried out.

Further, we reject the unofficial Liberal Party view - the high Toryism, born-to-rule notions of the former prime minister, Mr Fraser. He seems to believe that as long as the decisions are made by people like himself, we can go back to the old days of fixing the price of the exchange rate and all sorts of other things. Mr Fraser had his go at operating economic policy - and we are still struggling with his legacy today.

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AUSTRALIA

EDITORIAL URGES INDUSTRY TO RESIST PROTECTIONISM

Melbourne THE AGE in English 20 Jun 86 p 11

[Editorial: "Hiding Behind Trade Barriers"]

[Text]

IN recent weeks, textile, footwear and clothing manufacturers, and some Government backbenchers, have begun campaigning for higher protection against imports. They have argued that at a time when unemployment remains high and we are importing more than is good for us, Australia ought to be shoring up, not tearing down the wall of tariffs and other trade barriers which shield so many of our manufacturers. Similarly dubious advice regularly flows from left-wing metal manufacturing unions, and the issue of industry policy and protection is tipped to be among the most volatile at the ALP national conference next month. The debate will undoubtedly focus on that most emotive of issues, employment, and many will maintain that less protection means fewer jobs and destruction of vital industries.

It is important that the primitive economic thinking of the protection lobby is rejected and that the Government continues to open the door, albeit gradually, to imports. The equating of jobs and, implicitly, living standards with protection against imports is simplistic and dangerous. There are good reasons why Australia should be removing trade barriers. They include the need to move away from straight import substitution to fostering industries which can compete on export markets. Those who doubted the need for such change — which this newspaper has been proposing for years — need

look no further than last month's trade figures. They show starkly that Australia has become a raw material exporter and high technology importer. Lowering tariffs can also help open new trade markets. It can reduce domestic prices, channel entrepreneurial activity into the production of goods and services which can compete on world and local markets, and produce a more efficient allocation of resources. Protection has encouraged the growth of import competing industries, penalised other sectors and individuals who have had to pay the higher price of protected goods, and badly distorted the effect of market forces.

The Economic Planning Advisory Council this month estimated that the effective rate of assistance to the textile industry had grown from 47 per cent to 54 per cent between 1977-78 and 1982-83. For clothing and footwear, the rate had jumped from 141 per cent to 220 per cent over the same period. Mr Hawke's pledge to continue tariff reductions on textiles, clothing and footwear is welcome news and the EPAC estimates reinforce his stance. It is not enough for the supporters of import protection to hide behind patriotic slogans and hollow claims of concern for the unemployed. They must accept that the economic health of the nation and the changing nature of world trade demand that the protection wall be lowered.

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AUSTRALIA

WA PREMIER'S ECONOMIC MEASURES ANALYZED, LAUDED

Sydney THE AUSTRALIAN in English 25 Jun 86 p 12

[Editorial: "Burke's Remedy for Our Economic Crisis"]

[Text]

THE dramatic economic measures announced by the Premier of Western Australia, Mr Burke, yesterday are a welcome sign that at least one government in Australia has grasped the nature of the economic problems facing the nation and is prepared to do something realistic and significant about them.

Mr Burke has shown a willingness to bite the bullet on government expenditure, perhaps the most intractable element of the continuing economic malaise which confronts our country.

The economic measures he announced are designed to cut about \$300 million from State expenditures. However, the nature of the measures he has undertaken demonstrates that he understands that expenditure restraint needs to be a long-term priority for all levels of government.

It is impossible to argue with Mr Burke's assessment of the budgetary crisis which he, the other premiers and the Prime Minister face.

In his accompanying statement Mr Burke puts the crisis in stark terms: "In the public sector both here and across Australia the challenge of structural change is to wind back expectations and demands to a level

more consistent with the resources that government can reasonably expect to take from the community."

As Mr Hawke's recent statement to the nation served to emphasise, all levels of Australian society need to exercise restraint if we are to regain our position as a competitive trading nation and preserve the high level of living standards which we have come to expect. There needs to be much greater wage restraint on the part of employees, a new commitment to investment and excellence from business, and expenditure restraint from governments.

Mr Burke has taken a courageous lead in exercising real expenditure restraint. Australia has been paying itself too much in recent years, living beyond its means, and as Mr Burke commented "a day of reckoning must come eventually".

Of particular interest are Mr Burke's measures concerning government employees. He has decided to shed 3000 government jobs over a full year. Moreover, he has demonstrated a commitment to abolishing some of the inefficient work practices which have grown up in easier times but which are inappropriate today. Thus, he has

ended flexi-time, pending a review. He has decided that entry to the State superannuation scheme will be closed on June 30 and that while existing entitlements will be protected, new employees will come under a reformed superannuation scheme. He has foreshadowed long-service leave entitlement changes and committed his Government to refusing to enter into any agreements involving further reductions in hours worked.

All of these measures demonstrate a desire to make long-term, structural changes to better equip Western Australia for coping with the difficult times ahead. Mr Burke's courageous program should serve as a model for other Australian governments to examine most closely.

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AUSTRALIA

COAL CANCELLATION CUTS EXPORTS TO ISRAEL BY 66 PERCENT

Sydney THE AUSTRALIAN in English 25 Jun 86 p 1

[Article by Douglas Davis]

[Text]

A SHOWDOWN is developing between Jerusalem and Canberra over an Israeli decision to cancel a long-term coal contract, which effectively wipes out two-thirds of Australia's exports to Israel.

The coal was used to fire Israel's Hadera Power Station, but an official at the Israeli Energy Ministry last night said reduced oil prices had made it more attractive to burn oil.

The Australian commercial counsellor, Mr Bruce Lindenmayer, said in Tel Aviv yesterday the decision to cancel the contract, worth \$US30 million (\$42 million) a year, represented the most serious trade disagreement between the two countries since Israel was established in 1948.

"It has many serious implications and we find it very disturbing," he said.

Mr Lindenmayer said Australian coal was of a high quality and competitive in price.

If the coal was proving too expensive, it was because Is-

rael was paying too much for transport.

The Australian Ambassador to Israel, Dr Robert Merrillees, said yesterday he was "shocked and amazed".

The Embassy had received no warning that the contract was being abrogated and had learned of it through a telephone call from the Energy Ministry in Jerusalem.

"Since then, we've had nothing in writing, although we know that the directive to halt the purchase of our coal has been issued," Mr Merrillees said.

He said an immediate effect on Israeli exports to Australia was unlikely, but long-term trade could be damaged.

"We may have to reconsider Israel's status as a developing nation whose goods are given favourable treatment in Australia," Mr Merrillees said.

The director-general of Israel's Energy Ministry, Mr Natan Arad, said every effort would be made to maintain good relations with Australia.

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CSU: 4200/1221

PHILIPPINES

OPLE WRITES ABOUT GOOD GOVERNMENT COMMISSION

HK030731 Manila THE MANILA EVENING POST in English 1 Jul 86 pp 1, 3

["Exclusive to THE MANILA EVENING POST"—"Forum" by Blas F. Ople, Constitutional Commission member: "The PCGG: A Modern Quandary of Means and Ends"]

[Text] It is when moral certainty waxes strongest and piety is at its most self-righteous that we are warned to be on guard: that is the time when the distinction between ends and means is most likely to blur; the point when the ends will justify the means.

This is what I thought when I listened to the chairman of the Presidential Good Government Commission [PCGG], Hon Jovito Salonga, testify before the Committee on Amendments and Transitory Provisions of the Constitutional Commission. Reading from a prepared text, he fairly spewed fire and brimstone about the Marcos crime, and sounded as though the critics of the PCGG were fit for immediate burning. Towards the preroration, the PCGG had started to sprout wings as both the avenging angel and the angel of mercy.

But all that was by way of laying the basis for his argument: the resolution filed by the opposition ending the sequestration powers of the PCGG and reverting (vesting is more accurate, says Mr Salonga) these to the courts was misconceived and ill-founded. These powers are not extraordinary and need not be inconsistent with a new Constitution. The immunities that shield PCGG people from civil suits and legislative, judicial, and administrative inquiries conserve the energies that otherwise would be lost to the search for hidden wealth and the retribution towards the guilty.

He said any emasculation of these powers through a transitory provision would send the wrong signals to cooperating governments abroad that President Aquino's ardor for reforms was declining. It could be discomfitting for illustrious lawyers that had been engaged to help the PCGG press its crusade in the United States and Europe. If the powers got vested in the courts, since there were so many of them throughout the country, the uniform standard worked out by the PCGG in dealing with ill-gotten wealth cases could be shredded.

The PCGG had been extremely circumspect, moreover, in the use of its powers, always seeking to attain a quantum of proof equivalent to a prima facie finding or a probable cause, before issuing orders to sequester. It does not disregard due process. It has not sent a single person to jail; it does not violate the liberty of abode and travel guaranteed in the bill of rights; it does not proceed against political opponents as such.

Its immunities do not preclude judicial review of its acts, as witness the cases brought against the commission before the Supreme Court. The high court has so far sustained the PCGG's acts by the constitutional test. The PCGG's orders of sequestration and freezing of assets are not final; at the proper time they will be brought to the Tanod-Bayan and the Sandiganbayan, whose own decisions can be reviewed by the Supreme Court. These orders are in the nature of precautions owed the state so that if proven in court to belong to Marcos, his family, his cronies, nominees, and agents they will be forfeited in favor of the government.

Neither is the PCGG interested in acquiring the powers of management over sequestered firms, says Mr Salonga. He points out that in San Miguel Corp., having acquired the majority shares, the government has magnanimously allowed the Sorianos to stay on as the management.

Mr Salonga, who came with Commissioner Raul Daza, impressed the commission with his sincerity and ardor together with the more impressionable crowd of students that witnessed the hearing. He was much less successful in reconciling his means with his ends. He failed to persuade the Con-Com members that the powers of sequestration were not extraordinary in character, that these can be fully consistent with the return of full constitutional government. His examples of analogous powers in the United States and Switzerland were revealed, under questioning, to be exceptional and applied only to foreign governments or leaders as a departure from the policy applied to their own nations. His generalization about customs laws conferring seizure powers, as a matter of course, as the basis of the powers of sequestration fell flat.

It now appears that Mr Salonga, at the very moment he was testifying before a committee of the Constitutional Commission, was aware of a new memorandum of President Aquino vesting more powers in the PCGG. Specifically, this was the power to vote all sequestered shares in an estimated 180 companies, including the flagship corporations of the economy such as San Miguel and the United Coconut Bank. The determination of true ownership by the courts, stated by Mr Salonga as a strong legitimizing point to the powers of temporary disposition of assets by the PCGG, is now reduced to the level of a formal argument. This has made court intervention, for all purposes, academic, and superfluous.

Efficiency and civil liberties are seldom complementary. Tomas de Torquemada hung up a record of investigative efficiency when he burned 2,000 of his countrymen at the stakes for heresy. Granted that the mission of the PCGG is far nobler and more salutary than that of its predecessor in 16th century

Spain, the problem of moral certainty and self-righteous piety is how to reconcile the means with the ends.

I can only sympathize with the good people of the PCCG for having to endure this endless dilemma.

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PHILIPPINES

COLUMNIST ON CRITICAL PERIOD FOR AQUINO GOVERNMENT

HK031030 Manila THE MANILA CHRONICLE in English 1 Jul 86 p 6

["Analysis" column by Amando Doronila: "Next 6 Months Crucial to Aquino Survival"]

[Text] The next 6 months will be crucial to the survival of the coalition government of President Aquino. The president's timetable is to establish the legal foundation of her democratic system around the end of the year. There is, within this time frame, a hectic, though subtle, race between her and forces determined to unhinge her government.

At stake in this race is her government's legal legitimacy--which is its main flaw. If this legitimacy is not established within the timetable, she will be in for a lot of problems not only from the loyalists but more so from members of her coalition.

Legitimation is the key to understanding the president's apparent tentativeness in dealing with those who are trying to destabilize her government. Lack of legitimacy doomed the Marcos government and paved the way for the military defections after the 22 February revolt. Mrs Aquino is well aware of this. She knows that she has de facto legitimacy, whose source is the people power that toppled Mr Marcos. But she is also aware that if she does not institutionalize her claim to office through the Constitution, the revolution and what it stood for would be lost.

And yet, the government is under powerful pressure to perform miracles within a short time.

She is expected to secure significant foreign aid to restart the engines of economic recovery, restore peace in the countryside through a policy of attraction with the Communist-led insurgents, pacify the warlords, hold a referendum to ratify the new constitution and immediately after that call local and parliamentary elections to put democratic institutions in place.

These demands on a cabinet whose members are fundamentally split over approach to these problems are unforgiving and cannot wait for time. On any of these issues, the government can stumble. For example, the handling of the cease-fire negotiations with the insurgents could easily flare up into a cabinet

crisis. The cabinet is ideologically split over it and the loyalists have not missed the opportunity to try to fan anti-Communist hysteria over the government's campaign to buy time for internal tranquility so she can launch her rural-based economic recovery program.

Mrs Aquino apparently is holding her punches in dealing with the loyalists and dissident members of her cabinet, notably her defense minister, Mr Enrile, until she has established her constitutional legitimacy.

Her detractors are using this legal defect to challenge her authority, and correcting this defect is vitally important to her for several reasons. Legal legitimacy will rob the loyalists of an issue around which they could mobilize camp followers. But more importantly, legal legitimacy will strengthen Mrs Aquino's hands in aligning the armed forces behind her government.

The armed forces are traditionally oriented towards the concept of loyalty to a constitutional mandated chief of state. Once the new constitution confirms her mandate, there would be fewer doubts within the armed forces about the focus of their loyalty. One cannot discount the existence within the armed forces of Marcos loyalists who are ready to use her lack of constitutional mandate to stir up internal military dissension.

It would seem that what is holding back Mrs Aquino from having a showdown with Mr Enrile, despite provocations from him, is that she is waiting for her constitutional foundation to be in place. When this happens, her legal flanks will be amply protected, and anyone who challenges her authority could easily be identified and isolated as an enemy of the state.

It would be too naive to think that Mr Enrile and the loyalists are not aware of this. Given that assumption, one begins to see the light why Mr Enrile is keeping his options open in highlighting his policy disputes with the president or why the loyalists are stepping up their campaign to unsettle the government.

The international community, on which this government is extremely dependent for economic recovery resources, is very sensitive to reports of disturbances in this country in their assessment of availability of assistance. The government's capacity to turn the economy around and create jobs is tied to foreign assistance.

In the face of these conflicting pressures, the government has to hold--that is, it is trying to avoid a cabinet crisis until the constitution is in place. But will events permit her?

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PHILIPPINES

SOLICITOR GENERAL PRODUCES EVIDENCE OF MARCOS GRAFT

HK030119 Quezon City BUSINESS DAY in English 2 Jul 86 p 24

[Article by Gerry N. Zaragoza]

[Text] The Office of the Solicitor General [OSG] started yesterday producing evidence to substantiate graft charges against former President Ferdinand Marcos and 28 of his relatives, subordinates, and close associates in connection with the alleged ill-gotten wealth.

OSG submitted to the Presidential Commission on Good Government [PCGG] a batch of documents. Among these are the income tax returns of Marcos for 1960, 1961, and 1966, a report of Marcos' salaries as president and Mrs Imelda Marcos' salaries as minister of human settlements, a sworn statement of Jose Y. Campos detailing the assets and properties he had held on behalf of Marcos, and a sworn statement by PCGG's New York representative listing 11 buildings allegedly acquired by Marcos in New York.

Solicitor General Sedfrey Ordenez last April 7 filed the graft charges against Marcos and the 28 others for allegedly violating the anti-graft and corrupt practices act by illegally acquiring wealth valued at no less than \$5 billion.

The acquisition of assets, Ordenez said, had resulted in their "unjust enrichment and the acquisition and accumulation of unexplained wealth."

After PCGG decided to take up the charges filed by the OSG, it required Ordenez to substantiate the charges first by the end of May. The deadline was later moved to the end of June after OSG sought an extension.

Presenting the income tax returns and authorized salaries of Marcos, OSG tried to show that based on his income, the former president could not have acquired the vast assets he is now believed to be holding.

For 1960, documents show that Marcos had a gross income of P33,917.93 and a net income of P9,975. The amount of tax he paid was P178.52.

For 1961, the former president declared a gross income of P118,777.23 and a net income of P76,853.20. He paid an income tax of P23,072.07.

Attached to his income tax return for 1966 was a balance sheet as of December 31, 1961 which showed that Marcos had assets valued at P40,000 and capital of P40,000.

Marcos' income tax return for 1966 shows he had gross income of P266,907.23 and a net income of P249,075.15. The amount of tax he paid was P70,171.

OSG also submitted to PCGG a report by Budget Minister Alberto Romulo showing that from the time Marcos became president in early 1966 up to last February's revolution, Marcos' authorized salaries would amount to only P1.57 million.

On the other hand, the same report said that Mrs Marcos as human settlements minister from June 1976 up to last February was entitled to authorized salaries of P718,750.

In Campos' sworn statement, the former associate of Marcos disclosed that he had held in trust 28 corporations on behalf of Marcos, including the Performance Investment Corp., the Mid-Pasig Land Development Corp., Anchor Estate Inc., Independent Realty Corp., and the Chemfields Inc.

In his sworn statement, PCGG's New York executive director Bonifacio Gillego said based on documents turned over to the Philippine government by the U.S. State Department and those left in Malacanang when Marcos and his family fled to Hawaii, the former president and his cronies acquired assets and properties, including real estate, cash and bank accounts.

Gillego added that among them were 11 buildings in New York, including the Crown Building and the Herald Center.

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PHILIPPINES

COMMISSION DENIES REQUEST ON MARCOS RETURN

HK050222 Quezon City BUSINESS DAY in English 4 Jul 86 p 12

[Article by Gerry N. Zaragoza]

[Text] The Vasquez Commission yesterday doused cold water on the possible return of former President Ferdinand Marcos to the country.

The Supreme Court-created commission denied a request to arrange for the return of the former president to testify on charges of collusion, pressure, and repression of evidence in the Aquino assassination trial.

The three-man commission said for them to ask the Aquino government to allow Marcos to return to testify would be preempting the national leadership to decide the issue of his return.

"The matter of allowing the former president to return to the Philippines for any purpose whatsoever under the prevailing circumstances has not been resolved with certitude the finality by the national leadership," the commission noted in a two-page resolution.

The ruling of the commission headed by retired Supreme Court Justice Conrado M. Vasquez, was in answer to an earlier motion by lawyer Antonio Coronel.

Coronel asked the commission to make representations with the national leadership to allow Marcos to come back from Hawaii so that he could testify and refute allegations implicating him in an alleged plot to whitewash the Aquino case.

Coronel is the counsel for former Armed Forces Chief of Staff Gen Fabian Ver, who was charged as an accessory in the assassination of former Senator Benigno S. Aquino Jr. Ver was acquitted along with his 25 co-accused at a Sandiganbayan trial last year.

Ver's counsel expressed his intent to present Marcos as witness to refute allegation of Deputy Tanodbayan Manuel Herrera, head of the five-man special panel that prosecuted the Aquino case.

Herrera testified before the commission that the former president instructed the prosecutors and the judges to conduct a sham trial that will lead to the acquittal of all the accused.

Before the commission ruled on Coronel's motion, the lawyers of petitioners seeking a mistrial ruling from the high court over the Aquino case expressed opposition to Marcos' return.

Lawyers Lupino Lazaro and Arturo de Castro cautioned the commission against interfering in the issue of Marcos' return. They said it is a "highly and purely political question."

In its resolution, the commission which was tasked by the Supreme Court to inquire into the collusion charges, did not determine whether it was absolutely necessary for Marcos to testify before its inquiry.

But the commission said other witnesses may be presented to refute Herrera's allegation. In which case, the commission added, it would be "presumptuous and inofficious" to rule in favor of arranging for Marcos' return.

Making representations with the national leadership for Marcos' return would mean assuming it had already decided the "question of policy to allow Marcos to come back," the commission said.

Meanwhile, at yesterday's hearing of the commission, witness Rebecca Quijano's failure to appear drew moans of disappointments from observers and newsmen who came to hear her testimony.

"We have been expecting her since Monday," an equally disappointed Vasquez said.

Quijano, who had earned the name of "crying lady" was set to testify on the so-called note-passing incident and the alleged pressures to prevent her from testifying at the Aquino trial.

But her counsel, Clarence Guerrero, told the commission that she has been ill and her condition has not improved since early this week.

Quijano's testimony was reset for next Monday. But petitioner's lawyer de Castro said if she fails to testify by then, the petitioners would dispense with her and terminate presentation of evidence.

This means it will be the turn of respondents to present counter-evidence.

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PHILIPPINES

LOCAL GOVERNMENT OFFICIALS' TERMS EXPIRE

HK021011 Manila MANILA BULLETIN in English 1 Jul 86 pp 1, 12

[Article by Rey G. Panaligan]

[Text] About 10,000 elective and appointive members of sangguniang bayan [town boards], sangguniang panglungsod [city boards], and sangguniang panglalawigan [provincial boards], and some 294,000 barangay captains and councilmen can now be replaced either by designations or appointments, Justice Minister Neptali A. Gonzales ruled yesterday.

The power of appointment or designation lies with Local Government Minister Aquilino Pimentel Jr. as alter ego of President Aquino, Gonzales said.

Under the Local Government Code (Batas Pambansa Blg. 337), the terms of office of local government officials commenced on the first Monday of March 1980, and ended on March 28, 1986.

The period was extended to June 30, 1986 by the Omnibus Election Code of 1985 (BP 881).

Gonzales said that when President Aquino took over, she issued Proclamation No 3 which provides that "all elective and appointive officials and employees under the 1973 Constitution shall continue in office until otherwise provided by proclamation or executive order or upon the designation or appointment and qualification of their successors, if such appointment is made within a period of 1 year from February 15, 1986."

The elective and appointive local government officials assumed office under the 1973 Constitution and are covered by the provision of Proclamation No 3, Gonzales said.

"Thus," he said, "the local officials can be replaced either by designation or appointment."

Even barangay officials are covered by Proclamation No 3, Gonzales added.

The power of the Ministry of Local Government [MLG] to replace elective or appointive officials had been upheld by the Supreme Court, Gonzales said.

There are 1,523 towns, 60 cities, 74 provinces, and two subprovinces in the country.

Municipal and city governments have an average of six members of the sanggunian. Provinces have four each.

There are 42,000 barangays with seven officials each [words indistinct] to members of the council.

Barangay secretaries and treasurers are appointed by their respective captains.

Only members of the sanggunian in cities, towns, and provinces get regular salaries.

Local Government Minister Aquilino Q. Pimentel, Jr. directed Deputy Minister Ciriaco Alfelor yesterday to investigate immediately the alleged P200,000 bribery by an Ilocos Sur officer-in-charge [OIC] and report his findings within 72 hours.

The report said the bribe money was allegedly given to "some influential people in the MLG in consideration for the appointment of OIC in Candon, Ilocos Sur."

Deputy Minister Douglas Ra. Cagas, who was mentioned in the report, said the investigation ordered earlier by the MLG was designed to get to the truth no matter who gets hurt.

Cagas noted that the report had quoted a letter from one Eduardo Ma. Guirnaldo, another aspirant for the questioned OIC post, alleging that the designation of OIC Antonio Abaya was issued reportedly because of monetary consideration.

In a related development, the MLG clarified published reports that it has appointed two OIC's for Naic, Cavite.

Cagas said he never appointed or designated Dr. Cesar Unas as OIC of that town. It was Eduardo Echauz who was appointed and there could be no appointment of two OIC's since that would create problems and tension among local residents, he added.

Cagas said Echauz's appointment was decided on the basis of endorsements received from local and national leaders.

Meanwhile, Pimentel exhorted newly designated OIC's to initiate and implement income generating community projects even as he assured them of material support.

He reported that the 76 provinces and subprovinces, 60 cities, and 1,530 municipalities registered a total income of P8.2 billion last fiscal year, of which P8.1 billion was spent for various projects and activities.

"There was not much in terms of savings--only P121 million--last year, but somehow local governments have shown substantial income," he said.

According to him, more income can be expected under the new government and more projects undertaken with more prudent and proper use of local funds and resources.

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PHILIPPINES

COLUMNIST ON MILITARY'S POWER OVER CIVILIANS

NK031058 Manila THE MANILA CHRONICLE in English 2 Jul 86 p 4

["Analysis" column by Amando Doronila: "The Military Exercises Extra-Legal Veto Power"]

[Text] Whether we like it or not, the military today exercises extraconstitutional veto power over civilian authority. Never in the post-war history of this country has the military been so powerful as a pressure group as it is today, and I am not excluding the Marcos period.

Not only is the defense minister, Mr Enrile, challenging the key policy positions of the Aquino government of which he is a part, certain factions within the military, notably the Reformed [as published] Armed Forces Movement (RAM), have been issuing critical statements about the way the government is handling the insurgency problem, the human rights issue, and reforms within the military establishment itself, instead of keeping their views to themselves.

The president had her way in releasing most of the political detainees and in pushing her campaign to seek a cease-fire with the Communist insurgents, but she had to overcome strong resistance from the military. Even after her cabinet had decided to go ahead with the peace talks, she continues to be on guard against rejecting entirely the military point of view on the cease-fire.

She has adopted the position of the armed forces chief of staff, General Ramos, that there should be no pull back of troops, to the barracks during talks with the insurgents. She is the commander-in-chief of the armed forces, and theoretically, they should follow her orders, but she has not exercised the prerogative to order Mr Enrile and the RAM to shut up.

These incidents illustrate the erosion of civilian authority in relation to the military since the declaration of martial law in 1972. Although former President Marcos had always claimed that even under martial law civilian authority was supreme over the military, his dependence on the AFP [Armed Forces of the Philippines] enforce his political decisions and to coerce the population constrained him from imposing discipline.

He politicized the military by giving it jobs normally done by the civil officials. During the early days of martial law he permitted military officers to perform functions of elected officials and congressmen. As a trade-off for military support, Mr Marcos closed his eyes to military abuses and corruption, thus abdicating complete control.

The democratic opening made by the Aquino government is only part of the explanation why the military is so outspoken and sometimes so threatening in its relationship with civilian authority. The more important explanation is that the balance of power between the presidency and the military has been disturbed by several factors.

One significant factor is the Enrile-Ramos rebellion last February which acted as the catalyst of the popular revolution. Their role in precipitating military defections from the former president has made them believe that the military had won the right to wield veto power against president policy they do not agree with.

In a truly democratic order, a military veto is unacceptable. But the political reality is that the military is exercising possibly as much influence and power as a parliament or the judiciary. With the legislature disbanded, there is no parliamentary check against the executive.

The Central Bank governor, Mr Fernandez, is said to have remarked that the cabinet now functions as parliament, pending a new constitution. As a consequence, according to him, we must not interpret the squabbling within the cabinet as a sign that the government cannot get its act together, since the cabinet is serving as the forum of democratic debate. Fair enough, but there is actually no legal institution that is performing an adversarial role except the military. Some of its leaders are trying, with implicit threats of a coup, to influence decision on matters of security.

In other words, what I am saying is that in the absence of strong democratic institutions which are still being put in place, we will continue to have a military that is not completely subordinate to the civilian leadership. The tradition of civilian supremacy has been rendered meaningless by the change of balance of power over the past 14 years.

Even if the new constitution will reiterate this concept of civilian supremacy, it will take time before the military will again be put back to its subordinate position. It will require also a strong leadership to rehabilitate the authority of civilians over the military.

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CSO: 4200/1195

PHILIPPINES

GRAFT, SMUGGLING REPORTED IN CUSTOMS BUREAU

HK030727 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

[Text] Technical smuggling goes on unabated and in recent months has actually escalated, threatening the viability of domestic industries, particularly those that will be affected by the government program to deregulate importation by the end of this year, sources said.

At the same time, sources told BUSINESS DAY yesterday that the Bureau of Customs has "remained graft-ridden" despite efforts of Commissioner Wigberto Tanada to clean up the agency. "All that has been done is to change officials but the underlings continue their merry way," an importer said.

The continued technical smuggling, sources said, has not only adversely affected domestic producers, it has also robbed the government of substantial revenue. "Instead of paying under the table, we want to pay the government the taxes due it. But unless we pay under the table, some of our imports will be delayed," sources said.

An importer singled out a broker operating within the customs bureau who has reportedly cornered the bulk of selected imports coming into the country. It was reported that this broker, by virtue of his connections developed over a long period, is able to act as an intermediary in "smoothing out" valuation problems.

"We pay from 20 percent to 25 percent of the import cost to these people just so they would not make it difficult for us," sources explained, adding that they have kept mum on the matter all these years because "our future shipments might be affected."

Sources said importers have already informed Trade and Industry Minister Jose S. Concepcion, Jr. of the anomalous activities in the customs bureau. Concepcion asked these importers to submit evidence to help him and Tanada clean up the bureau.

In their meeting yesterday, Concepcion said he intends to meet with 60 big importers of spare parts within the next 2 weeks to discuss ways to stop technical smuggling. Concepcion said these big importers account for about 70 percent of the country's total imports of spare parts.

Concepcion called the meeting yesterday even as he turned down the request of spare parts importers to remove from the Board of Investments (BOI) the power to review applications to import spare parts.

Spare parts importers noted that one of the reasons why prices of spare parts are high is government red tape. They cited that other than the BOI there is the bank examiner, the Central Bank, the customs bureau, and the Philippine Chamber of Commerce and Industry (PCCI) that checks on their imports.

Concepcion however insisted on the need for BOI regulations, noting that he wants to know who is importing the spare parts, the quantities imported and the prices. He said he is "very, very tired" of hearing reports about misdeclarations, undervaluations, and other forms of technical smuggling.

The extent of technical smuggling in the spare parts trade can be gauged from the fact that imports of spare parts reached some \$173 million in 1982 but then went down to \$39 million in 1984. The drop, sources said, was due to technical smuggling.

Spare parts imports yesterday also said the government decision to lower the sales tax on spare parts is not expected to translate into any real net gains for jeepney drivers and operators. They said there is a need to streamline government regulations that tend to add to the cost of their operations.

In particular, they pointed to the government's continued insistence on protecting a diesel engine manufacturing program that is no longer operating. They said deregulating diesel engine imports of 150 horsepower and below could result in as much as a 50 percent reduction in prices.

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CSO: 4200/1195

PHILIPPINES

GOVERNMENT AGREES TO LIFT ALL IMPORT RESTRICTIONS

HK300832 Quezon City BUSINESS DAY in English 27 Jun 86 p 2

[Article by Daniel C. Yu]

[Text] The government has finally succumbed to increasing pressure from the International Monetary Fund (IMF) and the World Bank and has agreed to remove all quantitative restrictions on imports before the last quarter of this year.

With already some 580 items deregulated in two batches in the last few months, the Monetary Board of the Central Bank is expected to approve today the deregulation of an additional 222 products.

Among the items to be deregulated are food, jewelry, ceramics, plastics, toys, raw materials, and some intermediate goods. In addition, another batch of items currently paying high tariff rates will be deregulated during this phase of the import liberalization program.

The last batch of 280 items, consisting of the most sensitive imports which are likely to cause the most severe impact on domestic industries, will be liberalized by the last quarter this year, sources in industry said.

Businessmen interviewed by BUSINESS DAY yesterday greeted the news with consternation, warning that the government's decision to comply with the IMF and World Bank dictate could spell the end of many domestic industries.

"We will witness the collapse of many industries and the effect will be almost immediate, perhaps within 6 months to 1 year," Cefarino L. Follusco, vice-president of the Philippine Chamber of Commerce and Industry (PCCI), said yesterday.

"The government does not seem to appreciate the sincerity with which business had tried to liberalize as many items as possible at this time. The collapse of domestic industries will certainly be felt immediately," Raul T. Concepcion, chairman of Concepcion Industries Inc., added.

The government will submit to the IMF by the middle of next month a final timetable for the implementation of the liberalization program. This will

be just before the government starts talks with Fund officials on the country's debts.

The import liberalization program, strongly opposed by business and industry during the last 3 crisis-ridden years was supported by at least two cabinet ministers, Economic Planning Minister Solita Monsod and Finance Minister Jaime Ongpin, which explains why the program was quickly implemented.

Trade and Industry Minister Jose S. Concepcion Jr., who was earlier battling for a staggered implementation of the program, said that for the last batch, consisting of the most sensitive items, the IMF has agreed to a temporary increase in existing tariffs.

He said the IMF has agreed that tariff levels could be adjusted upward by as much as 20 percent but the effective tariff protection on landed cost should not exceed 30 percent.

He said the government is now conferring with the private sector regarding the levels of tariff adjustments for these sensitive imports prior to their deregulation later this year. With the deregulation, importers can bring in as much of the items as possible so long as they pay the higher tariffs.

The temporary upward adjustment of tariff levels however will have to be phased out over a 5-year period, Concepcion said. Such an arrangement would hopefully allow local industries to adjust to foreign competition.

Concepcion's brother Raul however described the "supposed concession" of the government as likely to create an even bigger problem since any adjustment would directly undermine the rationale of the existing tariff structure.

"All these products are interdependent, such that adjustments in the tariff of a raw material will affect the intermediate goods and the final products within a product line," he explained.

Raul Concepcion said the adjustments in tariff will create distortions within the tariff system, resulting in other industries lobbying for increased protection and throwing off the entire structure that can become a major government problem later.

Other businessmen interviewed noted that the continued "blatant smuggling, both physical and technical" will exert very strong pressures that could force the closure of many domestic companies.

"They (the government) could not control smuggling and how they are liberalizing imports," one businessman said regarding the government plan. "We will just have to close shop, lay off workers and just be traders."

Minister Concepcion said the government has already created a task force which will go after smugglers and those who bring in imports without paying the

proper taxes. "We will really go after these people to, once and for all, stop smuggling," he said.

Task force chairman Lilia B. de Lima, who met yesterday with the group which will come up with the implementing guidelines, in a separate talk, said the guidelines will come out next week and will be implemented the following week as soon as Concepcion approves them.

With the giving in by the Aquino government to the IMF, some businessmen doubt that the government can negotiate any real favorable terms from the Fund or the World Bank.

"We are no better off today compared to where we were a year ago," one businessman noted. "The fact is the country is not moving at all economically."

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CSO: 4200/1195

PHILIPPINES

GOVERNMENT TO RETALIATE AGAINST IMPORT CONTROLS

HK300836 Manila THE MANILA TIMES in English 27 Jun 86 p 20

[Text] Trade and Industry Minister Jose S. Concepcion, Jr. yesterday said that the government is ready to retaliate against countries that will control imports from the Philippines.

Concepcion, who just arrived from the United States yesterday told the press the government is negotiating with the International Monetary Fund (IMF) for 2-year deferrment of the import liberalization program covering over 600 items.

He also said the government will impose an automatic import freeze once imports go beyond normal levels.

The trade minister said that the Bureau of Domestic Trade has been assigned the duty to monitor imports so that dumping can be immediately checked.

Concepcion also said the government is asking the United States for more access to American market for such products as sugar, garments, and electronics.

He said U.S. officials have expressed willingness to grant the Philippines more access to U.S. market.

During his 10-day visit in the United States, Concepcion had a round of discussions concerning trade between the U.S. and the Philippines. He said he had discussed with Under-Secretary of State Michael Armacost the problems facing the Philippines this year and next.

He pointed out that the Philippines is capable of supplying the requirements of the U.S. Defense Department for electronic equipment and accessories.

Concepcion said the U.S. Government's budget for electronic supply is about \$17 billion, which goes only to Israel and Egypt.

He also said U.S. total yearly imports are in the range of \$350 billion, the Philippines' share in the U.S. import is only one-half of 1 percent, Concepcion pointed out.

Concepcion also said he proposed to the U.S. Government to increase its sugar imports from the Philippines up to 25 percent of the U.S. total sugar imports. The present U.S. sugar quota given to the Philippines is only at 13.5 percent of the total sugar imports of United States.

Concepcion also urged the local shoe and ceramic industries to be export-oriented. He said the U.S. shoe imports amount to \$6 billion a year. Of this amount, only about \$10 is allotted to the Philippines. The U.S. also imports yearly some \$5 billion worth of ceramics. The Philippines' share in the U.S. imports of ceramics is only \$8 million. [Paragraph as received]

With the USRP bilateral textile agreement due to expire August this year, Concepcion said the government should get ready with the renegotiation of this agreement. He said he would try to get a better deal out of this agreement.

Concepcion is optimistic about the doubling of the Philippines' share in the U.S. imports for textile and garments, despite the Jenkins Bill.

He said the government should not be over-dependent on sugar exports, suggesting that the government should start cutting down on the sugar exports by 10 percent every year so as to give way to other export crops.

In import liberalization, Concepcion said the government will work out a formula that would increase import tariff on some products by 20 percent to 25 percent in order to protect local industries.

He said he is set to discuss with U.S. Secretary of State George Shultz in detail the proposal for the Philippines to gain greater access to U.S. market, import controls and other critical issues this week. Shultz arrived last June 24. He is here on an official visit to the Philippines.

Trade and Industry Minister Jose S. Concepcion, Jr. yesterday announced that the government has agreed to liberalize up to 1,000 items within the year as required by the International Monetary Fund.

Concepcion said the government is also set to lift import controls on 220 items next week. He added that all quantitative controls on all imports would be lifted next week.

In place of the quantitative restrictions, Concepcion said the government has agreed with the IMF to allow a 20 percent tariff rate increase above existing rates to protect local industries from foreign competition.

He said a uniform preferential rate of 30 percent of the effective landed cost would be adopted. However, he said the tariff protection would be phased out after 5 years as agreed upon with the IMF.

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CSO: 4200/1195

PHILIPPINES

BUSINESS SEES NO CHANGE IN ECONOMIC POLICY

HK020053 Quezon City BUSINESS DAY in English 1 Jul 86 pp 2, 3

[Article by Daniel C. Yu]

[Text] Recent government pronouncements indicate that the Aquino administration is not likely to deviate too much from the economic programs of the previous dispensation--much to the disappointment of most businessmen.

This has deepened the frustration of several business leaders, who, just over 3 months ago, joined in the general jubilation over the toppling of the Marcos dictatorship, believing that the change in government would likewise lead to changes in economic programs and bring about the long-awaited recovery.

Today, businessmen are fast realizing that the new government--like the previous regime--could not just turn its back on the country's creditors as well as the conditions they have set forth. The difference however is that today's economic policy-makers--the majority of them at least--seem to be sincerely convinced that some of the prescriptions of the International Monetary Fund (IMF) and the World Bank are just what the doctor ordered.

One of the more controversial IMF-World Bank prescriptions, the trade liberalization program, which businessmen, time and again, had asked the government to restudy, is due to be completely implemented by the last quarter of this year. A first batch of some 500 items was already liberalized last May in compliance with the so-called policy reforms outlined by the Fund.

The new government has also put in place a package of tax reforms meant to shift the tax burden away from indirect taxes, which are indiscriminate, to direct taxes. It meanwhile continues to implement a much-protested turnover tax scheme.

There is debate within the cabinet over a proposed plan for the selective repudiation of some of the country's foreign debts. However of late, there is increasing indication that such a plan, aimed at softening the pressure on foreign exchange demand, will not go beyond rhetorics.

The euphoria following the "people-powered" February revolution has ebbed and businessmen are realizing that the economy is no nearer today to solving the

problems of trade, investments, labor, and a host of other things. Some businessmen, in fact, believe that some problems have taken a turn for the worse.

The Philippine Chamber of Commerce and Industry (PCCI) for example recently noted that a paper prepared by a group of economic professors from the University of the Philippines [UP] which will reportedly serve as the basis for a new Philippine 5-year plan, is "anti-big business" (see BUSINESS DAY, June 27 issue). This observation, coming as it is from the biggest grouping of businessmen and industrialists in the country, has discouraged some entrepreneurs from undertaking any new investment.

Analysts see similarities between the conditions today and those prevailing during two previous Philippine crises, in 1962 and 1970, where as a result of IMF prescriptions for correcting instability within the economy, domestic industries ended up deeper in difficulties.

It was in 1962 that the IMF called for a policy for decontrol for the Philippines to support export-oriented development. In 1970, as a result of the country's balance of payments (BOP) problem and as a precondition for the release of IMF credit, the peso was floated vis-a-vis the dollar. In both occasions, domestic industries suffered and had to undergo severe adjustments.

The concern over the similarities in conditions is not without basis. In his book "Debt Shock," Darrell Delamaide, a financial writer and the European bureau chief for INSTITUTIONAL INVESTOR, noted: "The Philippines benefitted from a surge in United States aid and IMF credits after it removed import controls in 1962. But the effect of lifting the restrictions was a dramatic increase in imports of consumer goods like cars, television sets, and electrical appliances."

Delamaide said imports rose 68 percent in the period 1963 to 1967, while exports grew only 7 percent, aggravating the Philippine trade deficit. "The money came from those foreign credits, so the country's indebtedness also rose," he added.

In the case of the 1970 crisis, when the peso was floated vis-a-vis the dollar, Gonzalo M. Jurado, formerly of the UP School of Economics, in his paper "Foreign Trade and External Debt," described the situation as follows: "The floating of the peso vis-a-vis the U.S. dollar in 1970 was a repetition of the drama of 1962. Though the undermining of the equilibrium was caused by the failure of the export sector to grow rapidly, by the extravagant spending in the presidential election of 1969, and by the large amounts of foreign exchange that had to be shipped out to service loans previously incurred, the blame however was laid on local industries, the fault being that they were 'import-dependent'."

It should be emphasized that the reforms instituted in 1962 were claimed to be in preparation for a more outwardlooking policy; to encourage exports. But by 1970, it was evident that this policy had failed.

This same reason is now being given as the rationale for an export-oriented development strategy for the Philippines which intends to generate enough foreign exchange to pay the country's debt. If domestic industries suffer in the process, they just have to adjust.

The penchant to blame development problems on the inability of domestic industries to grow has raised serious doubts on the real intent of IMF-prescribed adjustment programs and their impact on development countries like the Philippines.

Despite the IMF's insistence on export-led growth as the proper course for developing countries, the Philippine experience with such a development strategy has actually resulted in very little success.

The IMF has often cited the experiences of so-called newly industrializing countries as examples of the positive impact of such a strategy but it never mentioned that these very countries provided all the support and protection to their domestic industries during the 1960's when the fund was asking the Philippines to open up its market.

There is serious doubt today on whether export-oriented development is really the right course for the country to take at a time when there is an oversupply of exportable goods in the world, increased competition in the export market and continued protectionism in the developed countries where Philippine exports are principally sold.

There is also an equally serious doubt on the wisdom of opening up the local market at this time and exposing domestic-oriented companies, which underwent severe adjustments during the last 3 years, to foreign competition.

The Philippines' export record is not exactly something to crow about and, in fact, since the government first adopted an export-oriented policy, the country's overall net terms of trade, the measure of the price paid for Philippine exports, has deteriorated yearly. For example, from a 1974 terms of trade index of 114.5, the index has fallen continuously to only 59.8 in 1984.

In the case of imports, on the other hand, the importation level has generally exceeded export receipts and the propensity to import has not been diminished by adjustments in the exchange rate.

If local business was made to adjust in 1962 and then again in 1970 and managed to barely survive, many businessmen are wondering whether Philippine business, just recuperating from a 3-year crisis, could take yet another round of major adjustments.

More than this, business leaders are wondering if there ever was a real industrial development policy for the country that supported local

entrepreneurs, protected indigenous industries and transformed them into world-class ventures.

If industries were concentrating on the domestic market during the 1970's, part of the reason was the environment that the government had created. Regarding the expansion of firms in so-called overcrowded industries, for instance, the Board of Investments (BOI) had stated that it "discourage(s) unnecessary investments in industrial areas where existing capacities are deemed to be in excess of the local demand for a product for purposes of conserving foreign exchange to be used for the importation of machinery and equipment." This policy was scrapped only in 1981.

Though the conditions today may be similar to those in 1962 and 1970, the problems are bigger now in view of the debt crisis the country is in. After going through the economic crisis, Philippine business and industry may have just about reached the end of the rope. A new round of severe adjustments may finally cause them to lose their grip.

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PHILIPPINES

COCONUT PLANTERS BANK ELECTS NEW BOARD

HK020347 Quezon City BUSINESS DAY in English 1 Jul 86 p 13

[Article by Ramon R. Isberto]

[Text] An all-new 15-member board of directors of United Coconut Planters Bank [UCPB] was elected last night after a stormy stockholders' meeting that saw the dramatic resignation of Defense Minister Juan Ponce Enrile from the UCPB board and from the whole coconut industry.

Armed with a voting right over 94.4 percent of UCPB's 747 million voting shares, the Presidential Commission on Good Government [PCGG] and its 15-member slate was voted into the board over bitter protest of several thousand delegates from the Philippine Coconut Products Federation (Cocofed).

As of press time, the new board was meeting to elect the bank's new set of officers.

The new board members are Ramon Sy, Diosdado Salvador, Oscar Santos (chairman of the Philippine Coconut Authority), Charles Avila, Manuel Concordia, Juan B. Carlos, Enrique Herbasa, Teodoro Locsin, Jr. (information minister), Victor Barrios, (head of PISO [expansion not given] bank and chief financial analyst of the PCGG), Filemon Fernandez, Simeon Datumalong, Antonio Gatualao, Antonio Picazo, and Sunday Lavin.

The elections pushed through despite angry protests from Cocofed representatives who questioned the PCGG's right to sequester shares issued in the name of coconut farmers and to exercise the voting rights of those shares.

Enrile, who chaired the meeting, had to bang his gavel repeatedly throughout the 2-hour meeting which started 3:21 pm.

In an order dated June 26 the PCGG sequestered about 388 million shares or 51.8 percent of UCPB common stock issued to 1.4 million coconut farmers.

Last June 6, the commission sequestered a 43.5 percent to former UCPB President Eduardo Cojuangco, Jr.

Cocofed's Davao City chapter nominated a 15-man slate headed by Enrile and Cocofed President Maria Clara Lobregat. Cojuangco's personal lawyer, Gabriel Villareal, also presented six nominees that included Enrile and UCPB President Danilo Ursua.

Enrile and Ursua declined the nomination.

UCPB chairman for the past 11 years, Enrile said he had decided to "completely and irrevocably" sever the connections with the bank and the entire coconut industry.

The controversial defense chief said that this was necessary to give the PCGG a free hand in investigating allegations of anomalies in UCPB and the network of other companies built out of the P9.7-billion coconut levy fund.

Over boos and catcalls, PCGG Commissioner Ramon Daza said the sequestration of UCPB shares did not mean that the government was taking over ownership of those shares.

He emphasized that the shares actually owned by farmers would be revalidated and that the PCGG wanted only to pinpoint the shares owned by Cojuangco and his nominees.

PCGG Commissioner Ramon Daza said the commission had received reports and affidavits that Lobregat had been buying shares back from coconut farmers since 1982. According to reports, up to 80 percent of the shares issued in the name of coconut farmers may have been bought back this way, he said. Lobregat denied the allegation.

Daza added that Cojuangco has admitted to PCGG commissioners during the latter's recent trip to the United States that he "controlled" the 33.13 million shares of San Miguel Corp. stock sequestered by the PCGG.

Other coconut farmers in yesterday's meeting meantime questioned the position of the Cocofed. An owner of a 7-hectare farm in Sorsogon claimed that this was the first time UCPB had notified and called coconut farmers to a stockholders' meeting. "The question is why," he said. "Is it because of the presence of the PCGG? And that they are now under pressure to disclose the real state of affairs in the bank?"

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PHILIPPINES

LACK OF COCONUT EXPORT TAXES COULD REDUCE REVENUE

HK030729 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

[Article by Carol E. Espiritu]

[Text] The scrapping of export taxes on coconut products which took effect yesterday would mean a revenue loss of about P300 million for the government this year.

According to a recent estimate made by the National Tax Research Center (NTRC), the export value of coconut products in 1986 would come to about \$611.01 million which, it said, would have meant duty collections totalling P633.45 million if export taxes were retained.

Since the scrapping of export taxes took effect July 1, revenue loss would thus be about P300 million, representing potential earnings for the second half of 1986.

Based on NTRC projections, copra exports in 1986 are expected to be worth \$48 million, which, with the previous 10 percent duty rate, would have meant P98.40 million in duty collections. For coconut oil, estimated to post a total export value of \$358.03 million, duty collection would have totaled P366.95 million, based on the former 5 percent duty rate.

Desiccated coconut exports, projected to reach \$85.55 million, would have contributed P80.11 million to government revenues at the previous 4 percent duty rate. Copra meal/cake, on the other hand, expected to earn \$199.38 million this year, would have given P97.99 million at the old 4 percent duty rate.

Although the scrapping of export taxes on coconut products is expected to ease the financial pressure on exporters who are facing severe downswings in prices in the world market, it would prevent the Philippine Coconut Authority (PCA) from undertaking projects to benefit coconut farmers. Such projects include the national coconut replanting program (NCRP), the intercropping project and various research and development programs.

This means that the PCA will have to seek alternative funding sources or ask the government to reimpose the export taxes. The PCA receives a budget of P90 million from the government.

One alternative is to resume levy collections, but this is likely to be controversial considering that the poor export performance of coconut products has already depressed conditions in coconut farms.

The export tax, originally a stabilization tax, was aimed at generating revenues for development projects and siphoning off excess money from exporters arising from changes in the peso-dollar exchange rate.

On July 1, 1973, the stabilization tax which ranged from 4 percent to 10 percent was incorporated into the Tariff and Customs Code as an export duty and pegged at 8 percent for copra, 4 percent for coconut oil, desiccated coconut and copra meal/cake. In addition to the tax, duty was likewise imposed at 30 percent for copra and 20 percent for coconut oil, desiccated coconut and copra meal/cake.

However, Presidential Decree No 1476 issued on June 11, 1978, revised the tax rates for copra to 7.5 percent in 1979 to 1980, and to 9 percent in 1981.

But this decree was in effect barely 5 months when coconut prices suddenly dropped in the world market, prompting the suspension of the export taxes and premium duties on coconut products. The suspension was implemented by Executive Order [EO] No 593 of May 17, 1980.

In January 1982, the export duty on copra was reimposed at 7 percent, but in September that year, copra exports were suspended altogether.

Improved world prices in late 1983 however prompted the lifting of the suspension of the duties and taxes based on FOB values. Taxes were then revised to 3 percent for copra, 5 percent for coconut oil, and 4 percent for copra meal/cake.

These were again revised by EO No 920 in November 1984. Duty on copra was set at 7.5 percent; for coconut oil, it was reduced from 5 percent to 1 percent; and for desiccated coconut and copra meal/cake, it was scrapped. The objective then was to slap a differential duty to discourage raw material exports.

On March 19 this year, EO No 9, issued by President Aquino, lifted the copra ban and reduced the additional duty on copra from 7.5 percent to 2.5 percent.

In 1977, total revenue from coconut exports totaled P245 million; in 1978, P263.4 million; in 1979, P309 million; in 1980, P190 million; in 1982, P11.98 million (after the suspension of taxes); and in 1984, P88.85 million (after the lowering of duties).

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PHILIPPINES

COCONUT AUTHORITY SEEKS COCOFED SEQUESTRATION

HK030733 Quezon City BUSINESS DAY in English 2 Jul 86 p 14

[Text] The Philippine Coconut Authority (PCA) has asked President Aquino to order the sequestration of all assets of the Philippine Coconut Producers Association (Cocofed) and is now initiating moves to organize coconut farmers following plans to withdraw recognition to Cocofed.

PCA Chairman Oscar Santos has submitted two draft executive orders to President Aquino, one ordering the sequestration of Cocofed assets and withdrawing from it government support and another authorizing the PCA to organize sectors involved in the coconut industry.

In his note to Executive Secretary Joker Arroyo, Santos said the sequestration move was needed to preserve and conserve the assets, investments, and records of Cocofed. On the other hand, Santos said the withdrawal of government recognition to Cocofed was aimed at broadening its membership base and control its leadership "for and by true coconut farmers and workers."

Instead, Santos said the Cocofed should cease trying to represent coconut farmers and instead give way to a new association of legitimate coconut farmers.

The withdrawal of government recognition, Santos said does not mean the end of Cocofed. "It may still remain as an association of coconut planters but being unrecognized, its power and privileges under the law would be effectively clipped," Santos said.

Among the Cocofed assets eyed for sequestration is the P40 million Tahanang Maharlika (Coconut Palace) and the P50 million donation of Cocofed to set up Lungsod ng Kabataan (Children's Hospital) which used levy funds.

Present funding of Cocofed, based on both increased copra production and PCA allocation is about P75 million annually. However, since the funds are generated from taxes from farmers, Santos said that the government were using public funds in subsidizing Cocofed although it is beyond normal government auditing jurisdiction.

The draft executive order also cited that Cocofed leadership has not served the interest of farmers, adding that membership record of Cocofed confirmed only about 9 percent of coconut farmers as active members.

Upon sequestration by the Presidential Commission on Good Government (PCGG) the draft order also sought to authorize the PCA to administer Cocofed, its subsidiaries and owned and controlled entities. The PCA would also be empowered to merge, create, or abolish units or entities and transfer functions from one unit to another.

At the same time Santos told a press conference that his first priority in the first meeting of new board officials of the United Coconut Planters Bank (UCPB) would be to immediately seek for a divestment of assets of the UCPB--administered Coconut Industry Investment Fund (CIIF). The liquefied sum, he said would be used to fund urgent projects.

The CIIF investments, which funded oil mills, copra and other agricultural trading companies, the United Coconut Chemicals Inc. (Unichem), among others, total P2.7 billion.

PCA officials however said that a divestment of these assets will bring a liquefied amount of at least P3 billion. CIIF mills, namely, Granex Manufacturing Corp., Legaspi Oil Co., San Pablo Manufacturing Corp., and Southern Luzon Coconut Mills which were infused P681 million from the CIIF is expected to bring at least P1.2 billion considering huge investments made in the course of its operations.

Santos said the sell-out of the mills would be done by public bidding adding that although multinational companies would not be disqualified, the government will make sure that a concentration of purchases to a single entity is avoided. "A sell-out is the most effective way of dismantling the monopoly," he said.

There are some sectors in the coconut industry however who maintain the position that the levy funds, including the CIIF were farmers money which should thus be returned to them.

Santos said that Commission [as published] on Audit Teofisto Guingona who declared the levy funds as public money has agreed to treat the collections as "special funds" to allow it to be used for programs to benefit the industry.

There are some sectors in the industry however who think that farmers who contributed to the levy deserved to get back their just shares. Coconut planter Manuel Sarabia from Iloilo however said that it would be difficult to distribute the dividend to 1.4 million coconut farmers.

"This is now water under the bridge, and the important thing is that the entire amount is used to improve the livelihood of coconut farmers," he said.

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PHILIPPINES

ARTICLE REVIEWS DISPUTE OVER COCONUT BANK

HK030026 Quezon City BUSINESS DAY in English 2 Jul 86 p 13

[Article by Ramon R. Isberto]

[Text] The fight for the United Coconut Planters Bank [UCPB] has just begun.

Officials of the Presidential Commission on Good Government [PCGG] and the Philippine Coconut Producers Federation (Cocofed) traded sharp verbal attacks yesterday, which showed the row over the PCGG's sequestration of 94.4 percent of the UCPB voting shares isn't about to die down and that huge lawsuits may yet follow.

Commissioner Raul Daza told newsmen yesterday that the five-man commission tasked with recovering ill-gotten wealth "deplored" the "disruptive behavior" of Cocofed officials led by Maria Clara Lobregat, who, he said, may have misused Cocofed funds to assemble a highly partisan crowd during the stockholders' meeting.

He charged that Cocofed officials had "clearly acted from purely selfish interests" in rejecting a compromise proposed by Defense Minister Juan Ponce Enrile that would have allowed five Cocofed representatives to sit on the new 15-man UCPB board of directors.

Lobregat led a walkout by the Cocofed delegation that packed the ballroom of the Makati Sports Club last Monday.

In an interview with BUSINESS DAY, Lobregat said the walkout was "the only honorable thing for us to do."

"They should have heard the farmers," she said.

Lobregat stressed that the PCGG should have allowed the coconut farmers to cast their votes in the election of the board of directors.

Coconut farmers represented by Cocofed are listed as owning 51.8 percent of UCPB common shares. The PCGG preempted the use of the voting rights of those shares by sequestering the block of shares.

Despite assurances from Commissioners Daza and Ramon Diaz that sequestration did not mean the government was taking ownership of the shares, Cocofed provincial delegations bitterly attacked the PCGG for acting "dictatorially" and booed the two commissioners and coconut planters who spoke up in their defense.

Daza charged that the Cocofed leadership had packed the stockholders' meeting with an audience hostile to the PCGG. "Mrs Lobregat carted in her supporters in buses and jeepneys," he said.

He added that Cocofed had sent telegrams to selected provincial chapters to come to Manila as early as Thursday, promising to pick up the tab or reimburse expenses. The Cocofed delegations were billeted at the Tropical Palace in Paranaque (see BUSINESS DAY yesterday).

On Friday, a caucus of the Cocofed leadership decided to insist on the election of its entire 15-man slate, Daza claimed.

"The moment of truth came when Minister Enrile generously offered to relinquish to Mrs Lobregat and her group his option of naming five directors," Daza said. He expressed disappointment over Cocofed's rejection of the offer, saying Enrile's proposal would increase Cocofed's representation in the board from four directors in the past to five.

"Why should we go along with (Enrile's proposal)?" Lobregat said in the interview. "We are the owners of 51 percent of the bank. We are the majority. How can they give us only five seats?"

She said Cocofed had been content with four seats in the past because "the previous board...consisted of people who really love the coconut industry."

Domingo Espina, Cocofed vice-president for the Visayas, urged the new UCPB board to resign. "How can they rightfully sit on the board when they have not been elected by the stockholders?" he asked.

Asked if Cocofed is considering raising the matter to the courts, Lobregat said, "We'll take this up with our lawyers."

"We do not know what will happen next," she said. "They can even sequester Cocofed...Maybe we will just wait and put this all together in one suit."

PCGG officials said the matter of Cocofed has "not been even discussed in the commission's meetings yet."

Daza is, however, taking to task the Cocofed leadership for another matter. He warned Lobregat and other federation officials that since Monday's meeting was that of the bank, they should not use the federation's funds for the farmers' attendance. "If this is the case, Mrs Lobregat should be held personally accountable for the misuse of Cocofed funds," he said.

He added the PCGG had received reports alleging that Lobregat had urged "mass withdrawals from the UCPB." "If true, Lobregat's statement is highly irresponsible," he said.

Lobregat flatly denied the allegation. Saying she is only a "small planter, a small voice," the Cocofed president charged that the PCGG should be held morally and legally responsible if the bank should run into trouble. She emphasized that UCPB had been built through the efforts of the coconut farmers.

The matter of the coconut farmers' ownership of Cocobank lies at the heart of the dispute. Cocofed leaders insist that the coconut farmers own over half of the bank. The PCGG, on the other hand, has cited reports that as much as 80 percent of the shares issued in the name of the farmers have been bought back by former UCPB president and Marcos crony Eduardo Cojuangco Jr. through Cocofed officials.

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CSO: 4200/1195

PHILIPPINES

24 CORPORATIONS PETITION SUPREME COURT OVER SEQUESTRATION

HK030143 Manila MANILA BULLETIN in English 2 Jul 86 pp 1, 12

[Article by R. Panaligan]

[Text] Owners of 24 corporations denounced yesterday the sequestration orders issued by the Presidential Commission on Good Government (PCGG) as violative of the Freedom Constitution adopted by the Aquino government.

In a petition filed by former Ambassador Robert S. Benedicto and owners of 24 corporations, the Supreme Court was told that the PCGG's sequestration orders are contrary to the rule of law and due process.

The petition asked the Supreme Court to issue a restraining order that would:

1. Stop the implementation of the sequestration orders.
2. Bar the PCGG from searching and seizing documents of firms affected by the sequestration order.
3. Stop PCGG's takeover of businesses against whom sequestration orders are issued.
4. Return to firms and business all documents, papers, and other things illegally searched and seized.
5. Furnish all sequestered firms the documents and all records of proceedings prior to the issuance of the sequestration orders.

Aside from Benedicto, those who filed the petition were the owners of Belgor Investments Corp., Far East Managers and Investors, Northern Lines, Negros Stevedoring, Radio Phils. Network, Phils. Daily Express, Express Commercial Printers, Universal Molasses, Universal Equity, Integral Fractors, New Riviera Hotel Dev't., Visayan Maritime Academy, Agro Industrial and Commerical Security Service, Ireland Bulk Carriers, Coron Bulk Carriers, Ecija Bulk Carriers, Fuga Bulk Carriers, Agrid Ford, Banahaw Broadcasting, Intercontinental Broadcasting, Malibu Agro Business, Molave Bulk Carriers, Peninsula Tourist Shipping, and Strachan and MacMurray.

Named respondents in the petition were the PCGG chairman and commissioners and their agents and representatives implementing the sequestration orders.

The petition was the third filed before the Supreme Court questioning the legality and constitutionality of the PCGG's sequestration orders.

The first two cases were filed by Roman Cruz Jr., former chairman of the Philippine Airlines, and the owners of the Tourist Duty-Free Shops (TDFS).

The Benedicto petition claimed that the executive orders creating the PCGG are void and unconstitutional.

It said Executive Orders 1 and 2 are bills of attainder, general warrants, ex post facto laws, confiscatory, violative of the rule of law and due process, [words indistinct] exclusively the power to convict without judicial determination.

Citing that the sequestration orders are contrary to law and due process, the Benedicto petition said:

1. PCGG's conclusion is already mandated and pre-ordained.
2. PCGG's is charged with the duty of looking for evidence to support its mandated findings.
3. PCGG issues general search and seizure orders conducting fishing expeditions, disregarding all human rights, including the right against self incrimination, in its efforts to find evidence to support its conclusion.
4. PCGG makes its own rules.
5. PCGG rules on inclusion or exclusion of evidence.
6. PCGG evaluates its own evidence.

The petition claimed that Executive Orders 1 and 2 that created the PCGG violated the Freedom Constitution where the Bill of Rights is enshrined.

It said that the Bill of Rights provides that no ex post facto law or bill of attainder should be enacted.

It said the creation of the PCGG is a violation of the Bill of Rights because it is, in effect a bill of attainder.

Benedicto and owners of the 24 firms told the Supreme Court that they are willing to file a bond to answer for any damage that the PCGG may sustain in the high courts issuance of an injunction.

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PHILIPPINES

'ECONOMIC INDICATOR' COLUMN ON CENTRAL BANK LOANS

HK021541 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

["Economic Indicator" column: "CB Lendings Increase 152 Percent"]

[Text] Total loans granted by the Central Bank [CB] to the national government, banking institutions, and non-banks with quasi-banking functions more than doubled in the first quarter compared to the amount extended by the CB to the same institutions in the same period last year.

Statistics taken from the CB showed that total lendings expanded by a hefty 151.76 percent from P21,907.8 million last year to P55,154.1 million.

The heaviest borrower was the banking sector composed of specialized government banks, thrift banks, rural banks, and commercial banks. This group availed of 60.11 percent of P33,150.8 million of the total loans for the first 3 months. The banking sector's borrowings went up 69.09 percent from P19,605.8 million last year.

Of the different banking institutions, commercial banks were the top borrowers, accounting for P18,470.5 million, up from P8,494.3 million in 1985.

Specialized government banks, consisting of the Development Bank of the Philippines, Land Bank of the Philippines, and Philippine Amanah Bank borrowed P14,542.5 million from January to March this year, up 33.75 percent from last year's P10,872.7 million.

Meanwhile, loans extended to the national government, totaling P21,940.8 million or 39.78 percent of the total, ballooned 884.29 percent from P2,229.1 million last year. This despite CB Governor Jose E. Fernandez, Jr.'s plan, announced upon his reappointment as CB head, to lend more to the private sector.

Of the total loans granted to the government in the period, P10,822.0 million was for budgetary purposes while P11,047.3 million was earmarked for non-budgetary purposes.

Loans Granted by the Central Bank
as of March 1986 and 1985
(in million pesos)

		Government			Locals	
		Grand	Total	National	National	Semi-
		Total		Government	Government	Government
				Budgetary	Others	Entities
1986	January	8,682.7	3,045.1	1,500.0	1,490.9	54.2
	February	25,698.2	6,015.2	—	6,005.2	10.0
	March	20,773.2	12,880.5	9,322.0	3,551.2	7.3
1985	January	7,498.7	1,038.1	—	1,030.8	7.3
	February	7,356.7	984.0	—	773.0	211.0
	March	7,052.4	207.0	—	—	207.0
	April	14,492.8	11,541.6	8,440.0	2,943.4	198.2
	May	8,399.9	1,218.2	—	1,070.6	147.6
	June	6,729.7	3,620.0	—	3,539.6	80.4
	July	4,922.0	589.4	—	530.0	59.4
	August	16,035.0	2,531.6	—	1,127.3	1,404.3
	September	9,660.6	4,119.0	2,101.0	955.1	1,062.9
	October	8,292.4	3,109.9	—	2,596.9	531.0
	November	9,264.8	2,056.6	—	1,678.7	377.9
	December	12,569.6	4,690.9	—	4,249.2	441.7

		Total	Splzd. Gov't. Banks	Thrift Banks	Banks Rural Banks	Commercial Banks	NBQBF#
1986	January	5,636.1	1,357.2	0.7	32.0	4,246.2	1.5
	February	19,622.4	9,720.8	28.5	29.7	9,843.4	60.6
	March	7,892.3	3,464.5	6.0	40.9	4,380.9	0.4
1985	January	6,423.9	3,280.5	94.9	32.9	3,015.6	36.7
	February	6,351.1	3,556.4	0.1	43.3	2,751.3	21.6
	March	6,830.8	4,035.8	13.3	54.3	2,727.4	14.6
	April	2,917.9	1,030.4	2.8	58.4	1,826.3	33.3
	May	7,173.9	1,647.8	5.6	60.1	5,460.4	7.8
	June	3,108.2	2,513.5	0.9	49.2	544.6	1.5
	July	4,328.4	1,336.2	13.0	71.6	2,907.6	4.2
	August	13,496.0	8,607.8	10.9	80.2	4,797.1	7.4
	September	5,540.2	1,993.5	1.0	75.8	3,469.9	1.4
	October	5,177.6	1,412.2	2.5	67.7	3,695.2	4.9
	November	7,204.8	2,989.8	0.9	18.5	4,195.6	3.4
	December	7,874.4	3,785.2	1.3	52.0	4,035.9	4.3

Non-Banks with Quasi-Banking Functions

Source: Central Bank

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CSO: 4200/1195

28 July 1986

PHILIPPINES

DROP IN PESO TO DOLLAR RATE, AVERAGES REPORTED

HK040519 Quezon City BUSINESS DAY in English 3 Jul 86 p 2

["Economic Indicator" column: "Peso Falls vs Dollar"]

[Text] The peso's value vis-a-vis the U.S. dollar in the first half of the year averaged P20.326407 per dollar, down 8.64 percent from the P18.709842 per dollar average during the comparative period in 1985, exchange rates data gathered from the Central Bank and compiled by BUSINESS DAY showed.

Other currencies that form part of the Philippine international reserves such as the Austrian schilling, Belgian franc, Canadian dollar, French franc, Hong Kong dollar, Japanese yen, Netherlands guilder, Singapore dollars, Swiss franc, United Kingdom pound, and West German deutsche mark also performed well against the peso.

Average Exchange Rate of the Peso

January - June 1985 and 1986
(in pesos per unit of foreign currency)

<u>Currency</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
U.S. dollar	x 19.050304	20.631000	20.720389	20.504523
Australian dollar	xx 13.333413	14.449456	14.669139	14.811082
Austrian schilling	x 1.111530	1.264319	1.303406	1.283350
Bahrain dinar	xx 50.525891	54.731281	54.972894	54.821859
Belgian franc	x .381143	.433613	.445367	.441259
Canadian dollar	x 13.542796	14.693700	14.790667	14.774386
Chinese renminbi	xxx 5.935599	6.416796	6.438139	6.377151
Danish kroner	2.130770	2.411438	2.477694	2.431586
French franc	x 2.546013	2.897731	2.972483	2.848218
Hong Kong dollar	x 2.440548	2.644881	2.653789	2.631532
Indonesian rupiah	.016857	.018350	.018439	.018305
Iraq dinar	16.649057	18.019231	17.677778	17.922945

[Continued on following page]

<u>Currency</u>		<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
Italian lire		.011404	.013031	.013383	.013109
Japanese yen	x	.095270	.112406	.116033	.117032
Kuwait dinar	xx	65.875930	72.774350	72.451567	70.890073
Malaysian dollar	xx	7.795139	8.367513	8.207344	7.913109
Netherlands guilder	x	6.932222	7.876781	8.101783	8.002168
New Zealand dollar		9.856430	11.040669	10.958017	11.501555
Norwegian kroner		2.524865	2.845919	2.905250	2.868064
Saudi Arabian riyal	xx	5.217922	5.651381	5.674717	5.618291
Singapore dollar	x	8.942613	9.647275	9.592100	9.389818
Spanish peseta		.123748	.139669	.136661	.134905
Swedish kroner		2.511109	2.798900	2.864700	2.833577
Swiss franc	x	9.227770	10.635763	10.862661	10.787236
Taiwan dollar		.480017	.528100	.533144	.532532
Thailand baht		.725361	.782450	.789300	.782300
United Kingdom pound	x	27.201309	29.563188	30.433106	30.723545
West German D-mark	x	7.811778	8.896794	9.143622	9.020314

<u>Currency</u>		<u>May</u>	<u>June</u>	<u>Average</u>	<u>Average January to June 1985</u>
U.S. dollar	x	20.500250	20.551975	20.326407	18.709842
Australian dollar	xx	14.911650	14.216615	14.398559	13.308783
Austrian schilling	x	1.310965	1.307495	1.263511	.840867
Bahrain dinar	xx	54.391640	54.528450	53.995336	49.579921
Belgian franc	x	.450165	.448505	.433342	.293347
Canadian dollar	x	14.905290	14.790725	14.582927	13.763568
Chinese renminbi	xxx	6.403410	6.396498	6.327932	6.541912
Danish kroner		2.487990	2.477635	2.402852	1.649675
French franc	x	2.889985	2.879945	2.839063	1.992536
Hong Kong dollar	x	2.626355	2.632360	2.604911	2.402536
Indonesian rupiah		.018300	.109130	.033230	.017978
Iraq dinar		17.919215	17.964425	17.692109	15.515045
Italian lire		.013360	.013325	.012936	.009336
Japanese yen	x	.122845	.122325	.114318	.073631
Kuwait dinar	xx	70.427440	69.760280	70.363273	61.479597
Malaysian dollar	xx	7.903840	7.844750	8.005283	7.481498
Netherlands guilder	x	8.175470	8.154805	7.873872	5.237322
New Zealand dollar		11.634375	11.249715	11.040127	8.573528
Norwegian kroner		2.768120	2.697335	2.768259	2.053629
Saudi Arabian riyal	xx	5.616540	5.486685	5.544256	5.191828
Singapore dollar	x	9.263725	9.255565	9.348516	8.394741
Spanish peseta		.144400	.142585	.136995	.105405
Swedish kroner		2.872265	2.848590	2.788190	2.058237
Swiss franc	x	11.075330	11.144895	10.622276	7.024963

[Continued on following page]

<u>Currency</u>	<u>May</u>	<u>June</u>	<u>Average</u>	<u>Average January to June 1985</u>
Taiwan dollar	.536165	.542740	.525450	.476632
Thailand baht	.786990	.788740	.775857	.686305
United Kingdom pound	x 31.184950	30.961885	30.011330	22.238050
West German D-mark	x 9.209815	9.181070	8.877232	5.889284

x Currencies that form part of the Philippines international reserves
 xx Other acceptable currencies
 xxx Beijing exchange rate--Reuters

Source: Central Bank

Compiled by: Business Day Data Bank

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 CSO: 4200/1195

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK COMMENTARY HAILS CONTROL OF ANGKOR WAT AREA

BK210458 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
19 Jun 86

[Station Commentary: "Our National Army and People in Siem Reap Province Successfully Liberated and Controlled the Vietnamese Defense Network Around the Angkor Wat Area"]

[Text] At around midnight on 10 June, our National Army in cooperation with fraternal Cambodian soldiers launched a successful 4-pronged attack against the Vietnamese defense network in the Angkor Wat area. The first prong attacked the Vietnamese enemy's radar station on Bakheng Hill; the second prong attacked the Vietnamese battalion position at Trapeang Ses Village; the third prong attacked the defense line north of Angkor Wat; and the fourth prong attacked the 497th Command Post west of Angkor Wat. We totally liberated and took control of the Vietnamese position network in this Angkor Wat region and freed 25 villages in this area. We also killed or wounded 87 Vietnamese enemies. Among those killed were a division commander and two regiment commanders. We destroyed 120 assorted weapons, 1 radar station, 1 radar, 1 large telegraph set, 2 15-watt telegraph sets, 1 ammunition depot containing 8 metric tons of ammunition, 1 rice storehouse containing 400 sacks of rice, 6 trucks, and a large quantity of ammunition and war material. We seized 25 assorted weapons and some ammunition and war material.

This is another heavy attack launched by our National Army and people against the Vietnamese aggressors in this rainy season. Angkor Wat is one of the tightly defended regions of the Vietnamese enemies. They have stationed a large number of troops armed with modern weapons and radar station for the defense of this Angkor Wat region. They use this Angkor Wat region for propaganda purposes to fool the world into believing that they are in full control of Cambodia. They often invite foreign journalists and tourists to visit this region for this propaganda purpose. Earlier, the Vietnamese enemies posted their joint command headquarters for supervising their war of aggression in Siem Reap Town.

However, despite this tight defense, our soldiers and people in Siem Reap Province--the outstanding sons and daughters of the land of Angkor--have successively attacked the Vietnamese enemies in the areas around the Angkor temple and throughout Siem Reap Province. They have implemented our five attack tactics in a lively way by coordinating our three forces effectively. In

particular, they attacked and dismantled the Vietnamese enemies' village and commune administration, dispersed Cambodian soldiers, cut off large and small transport routes of the Vietnamese enemies, and destroyed their manpower and war material on a regular basis both in the dry and rainy seasons, thus turning the Angkor Wat region and all of Siem Reap Province into a place of permanent insecurity. Our National Army and people have jointly attacked Siem Reap Town three times now. We destroyed a lot of Vietnamese manpower and war material. We even killed a number of the Soviet advisors in Siem Reap Town. Due to our activities, the Vietnamese enemies were compelled to withdraw their joint command headquarters from Siem Reap Province. However, the Vietnamese enemies still maintain a large number of troops to defend Siem Reap Town and the Angkor Wat region so as to make this region look calm for their deceitful propaganda purposes. But, our National Army and people in Siem Reap Province have been able to successively attack the Vietnamese enemies more vigorously in this region. Due to this, the Vietnamese enemies in this region have been living in great panic.

The attack launched by our National Army and Cambodian soldiers against the Vietnamese defense line at Angkor Wat on 10 June clearly shows that the Vietnamese enemies could not depict the Angkor Wat region as a calm place to serve their deceitful propaganda.

Our National Army and people throughout the country are very happy over the brilliant victories won by our National Army and fraternal Cambodian soldiers in Siem Reap Province in attacking the defense line of Angkor Wat region. Our National Army and people throughout the country wish our national soldiers, people, and fraternal Cambodian soldiers in Siem Reap Province greater victories in their struggle against the Vietnamese aggressors and race exterminators. We also call on them to further coordinate our three forces to attack the Vietnamese aggressors more vigorously as they are doing in this Angkor Wat region in order to contribute to liberating our beautiful land of the Angkor and our entire Cambodian fatherland from the Vietnamese aggressors.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

SIHANOUK ARMY OFFICIAL DISCUSSES RESISTANCE

BK270120 Bangkok BANGKOK POST in English 27 Jun 86 p 4

[Article by Jacques Bakaert]

[Text] Unity among the three Khmer resistance factions has improved considerably during recent months, according to Col Kruoch Yoeum, deputy chief of staff of the National Sihanoukist Army's [ANS] Second Brigade.

The colonel returned recently from a six-month mission inside Kampuchea where he commanded ANS troops in the March 28 battle of Battambang, which was the first genuine and significant joint operation by the resistance.

Born in 1940 in Battambang Province, Col Kruoch belongs to a generation of younger and capable officers who are being promoted through their battle experience.

On December 20 last year, Col Kruoch led a 900-strong force from his border base and through the Vietnamese frontlines in three groups. "We had no major problems," he said yesterday. "We only encountered mines, but saw no barrage, and managed to avoid the enemy for more than 150 kilometres."

After 21 days, the ANS unit reached its objective, a forest area in Battambang Province, where a mobile ANS HQ was established.

The base was attacked in early May when Vietnamese troops launched a mopping-up operation using MI-8 helicopters, ground troops and 109mm and 130mm guns. Col Yoeum claimed it failed because the narrow corridors left by the floods were heavily mined by the nationalists.

"We brought leaflets to distribute to villagers and pictures of Samdech Norodom Sihanouk to gain the confidence of the people," he said. The ANS soldiers also carried medicine to treat civilians.

ANS forces, like others operating inside Kampuchea, usually buy their food on the spot. Thai currency can be used in cities like Sisophon or Thmar Puok, where the going rate is 500 riels for 100 baht. It can also be exchanged in Battambang, but the rate is only 400 riels.

A 100-kilogramme bag of rice can cost 1,300 riels, and during the battle of Battambang, ANS troops managed to get about 100 extra bags from Vietnamese warehouses.

Col Yoeum said the main problem remains the resupply of ammunitions. Soldiers leave border bases with 300 rounds per weapon and can sometimes buy more ammunition from Heng Samrin forces.

Relations between the armed forces of the People's Republic of Kampuchea and the resistance are normally correct, said the colonel. "We have an agreement not to shoot at each other." Contacts between ANS and PRKAF are usually made through civilians.

Col Yoeum and his deputy, Major Hen Yut, gave some new details about the battle of Battambang. The operation was planned on March 26 on a Khmer Rouge initiative. The attack itself took place two days later, from midnight until 5 a.m. It involved troops from the National Army of Democratic Kampuchea [NADK], ANS and the Khmer People's National Liberation Front.

During the assault, the NADK used Chinese 107mm rockets against Vietnamese positions, and the colonel said his men were surprised by the lack of strong Vietnamese resistance.

"The enemy seemed disorganised, and quickly retreated into town," said Major Hen Yut. Vietnamese villagers living near the city also fled.

The airfield, at which there were no aircraft, the newly-built hospital, oil and ammunition depots and warehouses were attacked. Two Soviet medical officers were killed in the hospital, the colonel claimed.

Col Yoeum said he was struck by the lack of medical facilities in the province. He said the pagodas are allowed two monks each and each monk has to pay a tax of 3,000 riels a year. But many temples are closed or used for non-religious purposes. Wat Sangke is an ammunition depot, Wat Pou Veal is a Vietnamese military camp and Wat Kandal is the command post of the 704th Vietnamese propaganda unit. The three pagodas are in Sroc District, Sangke, Battambang Province.

ANS sources said routes five and six had become extremely dangerous for the Vietnamese troops. Almost one third of their logistic supplies are now flown in and the rest comes in heavily-armed convoys of 50 to 100 trucks.

Expressing confidence that his men could hold their ground, he said the closer cooperation between the factions made it now possible to engage in supporting or diversionary attacks during mopping-up operations.

The fact the resistance is now more active in many areas of Kampuchea has created another problem for the Vietnamese. "In order to launch big operations, the Vietnamese Army is now forced to bring back troops from sensitive areas, which gives us new opportunities."

Prince Norodom Rannarit said 24 ANS medical personnel were now getting special training in China. The first batch of five surgeons should return to the

battlefield soon. After the battle of Battambang, wounded ANS soldiers were treated by Khmer Rouge doctors in a field hospital some 30 kilometres east of the city. The nationalists believe it is important to send medical teams along with their troops, to boost morale and give the men confidence.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK APPLAUDS ICK AD HOC COMMITTEE STATEMENT

BK300326 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
29 Jun 86

[Station Commentary: "The Effort of the International Conference on Kampuchea Ad Hoc Committee Is an Important Contribution to the Political Settlement of the Cambodian Problem"]

[Text] On 23 June, the ad hoc committee of the International Conference on Kampuchea [ICK] of the United Nations issued a statement in New York supporting the CGDK's 8-point proposal for a political settlement of the Cambodian problem. The statement said: This 8-point peace proposal is a development that can make an important contribution to a comprehensive and lasting political settlement of the Cambodian problem, and is enjoying broad support in the world.

Also on 23 June, a delegation of the ICK ad hoc committee headed by Massamba Sarre, chairman of the committee, met and had talks with the ASEAN foreign ministers in Manila, the Philippines. The two sides unanimously held that withdrawing Vietnamese troops from Cambodia and allowing the Cambodian people to enjoy the right to decide their own destiny and to choose their own government is also the most important factor for the settlement of the Cambodian problem.

The firm and consistent support of the ICK ad hoc committee, as well as the support of the ASEAN countries and international community, for the CGDK's 8-point proposal constitutes a powerful encouragement for the entire Cambodian people and all Cambodian patriotic resistance forces fighting the Vietnamese enemy directly on the battlefield. It is also pressure on the Vietnamese enemy aggressors, who refuse to accept this 8-point peace proposal, driving them into greater impasse and utter isolation in the international arena.

For the past more than 7 years, although the whole international community, including the United Nations, the ICK ad hoc committee, and the ASEAN countries, has been actively trying to find a political solution to the Cambodian problem, the issue has remained unsolved. This is because the Vietnamese authorities have stubbornly refused to withdraw all their aggressive troops from Cambodia and respect the Cambodian people's right to self-determination in accordance with the seven UN General Assembly resolutions and the earnest call of the international community. On the contrary, they continue to invade and occupy

Cambodia, to massacre the Cambodian people most brutally and savagely both inside the country and in the refugee camps on Thai territory, and to violate Thai border regions, causing the situation along the border to remain constantly tense. Therefore, security and stability in Southeast Asia continue to be constantly threatened and the danger that the Vietnamese war of aggression in Cambodia might spread to the rest of the region continues to be ever-present.

Therefore, Vietnam's war of aggression in Cambodia threatens not only the existence of the Cambodian nation and people alone, but also peace, stability, and the interests of countries in the region and the world as well. For this reason, the international community, especially the countries in the region and countries having interests in the region, is seeking by all means and methods to settle the Cambodian problem politically by trying to completely end Vietnam's military presence in Cambodia. However, the Hanoi enemy aggressors have rejected all proposals and efforts of the international community, especially those of the United Nations and ASEAN countries, to settle the Cambodian problem politically. Recently again, when the CGDK put forward the 8-point proposal for a political settlement of the Cambodian problem with so many concessions to the Hanoi authorities, the latter continued stubbornly to reject this reasonable proposal.

This shows the obduracy of the Hanoi authorities who have no sincerity in settling the Cambodian problem politically and want to occupy Cambodia forever. In the face of this Vietnamese stubbornness, the international community clearly sees the necessity to carry on its efforts, especially to continue supporting the CGDK's 8-point proposal and bring pressure to bear on Vietnam to accept this proposal and agree to hold negotiations for a political settlement of the Cambodian problem by immediately and unconditionally withdrawing all Vietnamese troops from Cambodia, for only after Vietnam withdraws all its troops from Cambodia can the Cambodian problem be settled, can the Cambodian people enjoy the right to self-determination, and can peace and stability be restored in Cambodia and Southeast Asia.

The Cambodian people and the DK National Army are confident that the ICK ad hoc committee, whose mission is to find a solution for the Cambodian problem according to the UN resolutions and the ICK declaration, will continue making efforts and conducting activities in the international arena together with all peace- and justice-loving countries the world over, bringing greater pressure to bear on the Hanoi authorities to accept the CGDK's 8-point peace proposal and, in addition to the struggle of the Cambodian people and DK National Army now vigorously fighting the Vietnamese directly on the battlefield, forcing the Hanoi authorities to withdraw all their troops immediately and unconditionally from Cambodia, allowing the Cambodian people to decide their own destiny without any outside interference or pressure.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK: 300 SRV TROOPS DESERT FROM SISOPHON BATTLEFIELD

BK300456 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
29 Jun 86

["News Commentary": "Three Hundred Vietnamese Soldiers Positioned at Anlung Thmar on the Sisophon Battlefield South of Route 5 Abandon Their Base and Flee Home"]

[Text] On 21 June 300 Vietnamese soldiers positioned in Anlung Thmar base on the Sisophon battlefield south of Route 5 fled en masse back to Vietnam. On the way back home, they begged our people for rice and food and told our people that on the South Sisophon battlefield at present many Vietnamese soldiers are being killed or wounded daily by the attacks, raids, and constant shellings of our DK National Army. As for their living conditions on the western Cambodian battlefield, they generally suffer from all kinds of shortages. They lack food, medicine, and ammunition because the supply lines linking them to the interior have been cut repeatedly by guerrillas and Vietnamese transportation convoys have been regularly ambushed. Moreover, during the current rainy season malaria and typhoid fever are plaguing more than half of each Vietnamese garrison. Vietnamese soldiers are dying like flies in these conditions. They asked our people for information about the roads to take in their trek back to Vietnam to avoid being caught or shot dead by their cruel commanders. They said that they refused to stay and fight under such miserable conditions because they would inevitably be killed one way or another. They said that Vietnamese soldiers on the South Sisophon battlefield as well as on all other battlefields in western Cambodia have lost all their fighting spirit. All are looking for an opportunity to flee to Vietnam. The problem for them is that they do not know the way.

This revelation by the Vietnamese soldiers reflects the demoralization, despair, and weariness of the Vietnamese aggressor troops in western Cambodia as well as on the Cambodian battlefield as a whole. Moreover, it also clearly reflects the general situation of the Vietnamese enemy on the Cambodian battlefield which is increasingly difficult and completely contrary to the Hanoi authorities' boast that their troops are the masters of the battlefield and are in complete control of Cambodia.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK CONDEMNS SRV REJECTION OF ASEAN'S CALL

BK020325 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
1 Jul 86

[Station Commentary: "The World People Have Seen Clearly the Cruelly and Truculently Aggressive and Expansionist Face of the Hanoi Authorities"]

[Text] During their recent meeting, the ASEAN foreign ministers and their economic partners jointly condemned the Vietnamese aggression against Cambodia, voiced their support for the CGDK's 8-point proposal, and demanded that Vietnam reconsider this proposal. The Hanoi Vietnamese enemies were very enraged by this. Both the Vietnamese press and radio have kept denouncing and rejecting this correct call by the ASEAN nations and their economic partners in a most truculent and arrogant manner. The Vietnamese propaganda apparatus even said that it is unreasonable for the ASEAN countries to demand the withdrawal of Vietnamese troops from Cambodia and that the situation in Cambodia is irreversible.

This is truly an arrogant and truculent statement uttered by the Hanoi Vietnamese aggressors. Despite the fact that they have committed an unpardonable and unacceptable act in sending hundreds of thousands of troops to invade and occupy Cambodia in gross violation of the UN Charter and international law, the Vietnamese aggressors dare condemn others as being unreasonable in demanding the withdrawal of their aggressor troops from Cambodia and calling for respect for the Cambodian people's right to self-determination in accordance with UN resolutions. So it means that their aggression and occupation of Cambodia and their crimes in massacring the Cambodian people in a most cruel and barbarous manner are reasonable acts. This is the aggressive and expansionist logic of the Hanoi Vietnamese enemies.

The 6 ASEAN countries and their 17 economic partners--totaling 23 countries--as well as the world community have all supported and praised the CGDK's 8-point proposal as an appropriate and broad plan for a political settlement of the Cambodian problem because this proposal sets forth measures to achieve an all-round settlement of the Cambodian problem and is quite concessionary to the Vietnamese as it takes into account the interests of both the Cambodian and Vietnamese people. However, the Hanoi authorities have denounced these countries. Immediately after this 8-point proposal was made public and supported actively by the world community, the Hanoi authorities rejected it without

having considered this proposal thoroughly. They condemned the ASEAN countries and their economic partners immediately after these countries called on them to reconsider their rejection.

All these acts by the Hanoi authorities clearly show that they are unwilling to solve the Cambodian problem through political means. On the contrary, they have stubbornly carried on their war of occupation against Cambodia, setting up an Indochinese federation, and continuing their strategy of aggression and expansion against Southeast Asia. However, these acts have enabled the whole world to see more clearly that the Vietnamese enemies' diplomatic moves concerning their desire to hold negotiations on the Cambodian and Southeast Asian problems is just a deceitful maneuver aimed at diverting world public opinion, easing the world's anger, and luring the people in this region and elsewhere around the world to stop pressuring Vietnam to withdraw its troops from Cambodia.

Such obstinate and truculent acts by the Vietnamese enemy aggressors will only enrage the countries in this region and the entire world community even more. They will certainly oppose the Vietnamese enemies even more vigorously. The Vietnamese enemies will certainly become more extremely isolated in the international arena. At the same time, the world community will certainly continue to put stronger pressure on Vietnamese authorities in order to force them to reconsider and accept the CGDK's 8-point proposal and agree to negotiate to solve the Cambodian problem through political means by withdrawing all their troops unconditionally from Cambodia, thus allowing the Cambodian people to decide their own destiny without any outside interference.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VONADK ROUNDS UP SRV CASUALTIES FOR JUNE

BK020150 (Clandestine) Voice of the National Army of Democratic Kampuchea in
Cambodian 2315 GMT 1 Jul 86

[Roundup of June battle results]

[Text] 1. Koh Kong-Kompong Som battlefield: We killed 97 and wounded 84 Vietnamese enemy soldiers for a total of 181 casualties.

2. Leach-Peam Ta battlefield: 215 killed and 268 wounded. Total: 483 casualties.

3. Samlot battlefield: 71 killed and 73 wounded. Total: 144 casualties.

4. Pailin battlefield: 255 killed and 306 wounded. Total: 561 casualties.

5. South Sisophon battlefield: 213 killed and 164 wounded. Total: 377 casualties.

6. North Sisophon battlefield: 54 killed and 70 wounded. Total: 124 casualties.

7. Battlefields around Battambang Town: 50 killed and 63 wounded. Total: 113 casualties.

8. Siem Reap-Route 6 battlefield: 100 killed and 149 wounded. Total: 249 casualties.

9. Preah Vihear battlefield: 24 killed and 16 wounded. Total 40 casualties.

10. Kompong Thom-Kompong Cham battlefield: 113 killed and 130 wounded. Total: 243 casualties.

11. Moun-g-Pursat battlefield: 92 killed and 89 wounded. Total: 181 casualties.

12. Kompong Chhnang battlefield: 64 killed and 53 wounded. Total: 117 casualties.

13. Tonle Sap battlefield: 15 killed and 17 wounded. Total: 32 casualties.

14. Northwest Phnom Penh battlefield: 52 killed and 66 wounded. Total: 118 casualties.

15. North Phnom Penh battlefield: 10 killed and 15 wounded. Total 25 casualties.

16. Northeast and eastern battlefield: 19 killed and 25 wounded. Total: 44 casualties.

17. Southwest battlefield: 191 killed and 250 wounded. Total: 441 casualties.

In sum, in June we killed 1,735 Le Duan Vietnamese soldiers and wounded 1,838 others for a total of 3,573 casualties [all figures as heard].

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

ROUNDUP OF VONADK BATTLE REPORTS 26 JUN-3 JUL

BK040240 [Editorial Report] (Clandestine) Voice of the National Army of Democratic Kampuchea broadcast the following battle reports during the reporting period 27 June-3 July:

According to VONADK at 2315 GMT on 27 June, DK forces dismantled the Vietnamese village and commune administrative networks in Stoeng Trang District on 23 June, in Sisophon District on 14 June, Santuk District on 21 June, and in MOUNG District on 20 June; ambushed a Vietnamese truck convoy in Battambang Province on 19 June; attacked a Vietnamese company position in Cheung Prey District on 19 June; and conducted guerrilla activities on Kompong Cham, South Sisophon, Kompong Thom, MOUNG-Pursat, Battambang, Pailin, and Route 4 battlefields between 13 and 23 June. They killed 69 Vietnamese soldiers; wounded 62 others; dismantled 4 commune and 5 village administrative networks; destroyed 2 commune office buildings, 7 weapons, 7 trucks, 1 C-25 radio, and 5 barracks; seized some weapons and war material; and liberated 3 villages on South Sisophon battlefield and 14 villages on MOUNG-Pursat battlefield.

VONADK at 2315 GMT on 29 June reports that DK forces attacked Sandan District seat in Kompong Thom province on 24 June; attacked and dispersed commune and village administrations in Cheung Prey District on 25 June, in Sandan District on 25 June, and in Udong District on 22 June; and conducted various other actions on the Leach, Northwest Phnom Penh, Western Leach, Peam Ta, Pailin, and South Sisophon battlefields, killing 37 and wounding 42 Vietnamese soldiers; destroying 1 district seat; dispersing 1 commune and 16 village administrations; destroying 52 guns, 2 trucks, 1 commune office building, 1 garment warehouse, 1 rice storehouse, 6 barracks, and some ammunition and war material; and liberating 5 villages in Cheung Prey District.

VONADK at 2315 GMT on 30 June reports that DK forces attacked the Vietnamese commune and village administrative networks in Sangke District on 21 and 25 June, in Samraong Tong District on 25 June, and in Kong Pisei District on 15 June; ambushed Vietnamese trucks on Route 4 on 21 and 23 June; attacked a Vietnamese company unit on South Sisophon battlefield on 24 June; and conducted various other activities on the Western Leach, East Battambang, Northwest Phnom Penh, Kompong Speu, Route 4, South Sisophon, Pailin, and Koh Kong Leu battlefields from 15 to 25 June, killing or wounding 142 Vietnamese soldiers; destroying 2

commune and 4 village administrative networks, 9 weapons, 1 commune office building, 3 trucks, and 3 barracks; seizing 3 weapons and some war materials; and liberating 9 villages on East Battambang battlefield.

According to VONADK at 2315 GMT on 1 July, DK forces attacked the Vietnamese administrative networks in communes and villages on Tonle Sap battlefield on 23 June, on Northwest Phnom Penh battlefield on 24 June, on Moug-Pursat battlefield on 27 June, on Kompong Chhnang battlefield on 16 June, on Kampot battlefield on 24 June, on Kompong Som battlefield on 20 June, and on South Battambang battlefield on 26 June; ambushed a Vietnamese truck in Toek Phos District on the Kompong Chhnang battlefield on 25 June, a Vietnamese truck along Route 19 on Ratanakiri battlefield on 15 June, a Vietnamese platoon unit on Chhep battlefield on 26 June, a Vietnamese battalion moving from Svay Cheat to Boeng Sinoon on the Chhep battlefield on 24 June, 2 Vietnamese platoon units in Sangke District on Battambang battlefield on 27 June, and a group of Vietnamese soldiers west of Sung On Samlot battlefield on 21 June; and conducted other actions on Moug-Pursat, Samlot, Koh Kong Leu, South Sisophon, Chheap, Ratanakiri, Kampot, Battambang, and Kompong Chhnang battlefields between 19 and 27 June, including the results of their activities on all battlefields in June, killing 1,801 and wounding 1,894 Vietnamese soldiers; destroying 4 commune and 10 village administrations, 27 assorted weapons, 1 commune office building, 1 rice milling machine, 3 trucks, 1 boat, 8 barracks, 1 guard post, and some ammunition and war material; seizing 3 guns; and liberating 2 villages on Tonle Sap battlefield and 2 villages on the Moug-Pursat battlefield.

VONADK at 2315 GMT on 2 July reports that DK forces attacked Thpong District seat on Northwest Phnom Penh battlefield on 27 June; raided Vietnamese administrative networks at villages and communes in Baray District on Kompong Thom battlefield on 12 June, in Kompong Leng District on Tonle Sap battlefield on 13 and 20 June, on North Battambang battlefield on 26 June, on East Battambang battlefield on 26 and 29 June, and on West Battambang battlefield on 27 June; ambushed and dispersed a Vietnamese regiment unit in the vicinity of Stoeng Sangke and Stoeng Chas riverbanks on Battambang battlefield on 24 and 25 June, a Vietnamese company unit moving from Sdau to Svay Chek on Pailin battlefield on 28 June, and a group of Vietnamese soldiers north of Hill 492 on Koh Kong Leu battlefield on 29 June; and conducted other activities on Northwest Phnom Penh, Koh Kong Leu, North Sisophon, and Tonle Sap battlefields between 19 and 29 June, killing or wounding 112 Vietnamese soldiers; destroying 3 commune and 12 village administrative networks, 38 assorted guns, 1 truck, 3 war material warehouses, 4 barracks, 1 guard post, and some ammunition and war material; seizing 19 guns; and liberating 11 villages on Kompong Thom battlefield, 5 villages on Tonle Sap battlefield, 4 villages on North Battambang battlefield, and 2 villages on West Battambang battlefield.

VONADK at 2315 GMT on 3 July reports that DK forces attacked the Vietnamese administrations at a commune and village on West Battambang battlefield on 29 June and on Kampot battlefield on 25 June and conducted various other activities on Samlot, Kampot, and South Sisophon battlefields between 20 and 30 June, killing or wounding 55 Vietnamese soldiers; destroying the Vietnamese administrations at a commune and a village, 17 guns, 1 truck, and some ammunition and war material; and liberating 4 villages on West Battambang battlefield.

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK REVIEWS DK FORCES' ACTIVITIES IN KOMPONG THOM

BK060702 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
5 Jul 86

[Station Commentary: "Our National Army and People in Kompong Thom Province Are Uniting in Fighting Actively Against the Vietnamese Enemy Aggressors Using the 5-Point Fighting Method"]

[Text] Kompong Thom Province is a strategic area. It is a key point through which the Vietnamese supply weapons and food to the Vietnamese soldiers in western and northern Cambodia. It is also an area rich in paddy, rice, and fish. Like other provinces around the Tonle Sap Lake, Kompong Thom is a province to which the Vietnamese have paid great attention for its defense on the one hand to supply war material to their forces in western and northern Cambodia, and on the other, to plunder our people's resources to feed their troops in those areas. However, our National Army and people in Kompong Thom Province have valiantly cooperated in fighting the Vietnamese enemy aggressors and transformed the entire province into a hot battlefield to prevent the Vietnamese from supplying their forces and plundering our people's resources at will.

In the past dry season, our National Army has cooperated with our people and Cambodian soldiers and compatriots in sweeping and dismantling Vietnamese administrative authorities in communes and villages time and time again throughout the entire province. The Vietnamese have been in a constant state of confusion and panic. Kompong Thom Town in particular has been attacked many times by our National Army and people who scored resounding victories. In the current rainy season, despite difficulties caused by floods, our heroic National Army and people in Kompong Thom Province still continue to attack the Vietnamese relentlessly using our new 5-point fighting method. We are not allowing the Vietnamese any breathing space. News of attacks to dismantle commune and village administrative networks and to destroy Vietnamese positions and reports on ambushes and attacks to thwart various Vietnamese operations are heard almost daily.

On 25 May, our National Army ambushed the Vietnamese between Thnaot and Bos Cheng villages along Route 12, killing or wounding five enemy soldiers. On 26 May, our National Army attacked and dismantled Vietnamese administrative networks in Chey Commune in Kompong Svay District, liberating three villages. On

27 June, our National Army attacked a Vietnamese platoon position in Pou Village in Santuk District, killing or wounding 10 enemy soldiers. On 1 June, our National Army attacked and dismantled Vietnamese commune administrative networks in Chamna, Dang Anteak, and Kompong Svay in Kompong Svay District and liberated three villages. Also on 1 June, our National Army attacked and dismantled Vietnamese administrative authorities in Prasat, Bek Chan, Trayang Toch, Boeng Veng, and Kradas villages in Santuk District. On 4 June, our National Army attacked and dismantled Vietnamese commune authorities in Kompong Thmar in Baray District, liberated four villages, and killed or wounded nine enemy soldiers. On 8 June, our National Army exploded mines between Kul Thnaot and Arak villages, killing or wounding eight Vietnamese soldiers. On 12 June, our National Army cooperated with Cambodian soldiers in attacking and destroying a Vietnamese position in Kompong Thmar in Baray District; 10 Vietnamese soldiers were killed or wounded in the battle. On 12 June, we attacked and dismantled Vietnamese administrative authorities in Prek Dam, Balang, and Chranieng villages in Balang Commune in Baray District. On 14 June, our National Army ambushed a Vietnamese regiment at Bos Thlan on the Kompong Thom battlefield, killing or wounding 35 enemy soldiers. On 16 June, we routed an attack by a Vietnamese battalion along the Chinit River, killing 10 and wounding 12 enemy soldiers. On 18 June, our National Army smashed a Vietnamese battalion which attacked us at the junction of Route 21 in Baray District, killing or wounding 12 enemy soldiers. On 25 June, we attacked and dismantled Vietnamese administrative network in Krabei Riel Commune in Baray District, killing or wounding a number of Vietnamese soldiers, seizing 15 weapons, and liberating 11 villages.

So, this rainy season, as in the past dry season, our National Army and people in Kompong Thom Province have carried out their tasks very well. They continue to cause confusion by attacking the Vietnamese relentlessly. This clearly shows that our National Army and people in Kompong Thom Province, like our National Army and people throughout the country, will not allow any part of our Cambodian territory to be used as base to serve the Vietnamese war of aggression in Cambodia. The reason for this fine achievement by our National Army is the good implementation of the 5-point fighting method and unity and cooperation among the three forces. This 5-point fighting method and unity and cooperation of the three forces are very effective. The Vietnamese cannot resist this. It will create more confusion among the Vietnamese.

Based on this good experience, our National Army will continue to implement the 5-point fighting method coupled with the unity and cooperation of the three forces more actively and enthusiastically to confuse the Vietnamese enemy aggressors even more until they can no longer stay in Cambodia.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK CITES UN OFFICIAL BLAMING SRV STUBBORNNESS

BK070444 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
6 Jul 86

[Station Commentary: "The Hanoi Vietnamese Enemy Aggressors Stubbornly Persist in Occupying Cambodia Forever"]

[Text] On 3 July, Rafiudin Ahmed, deputy UN secretary general, who has just returned from talks with Vietnamese Foreign Minister Nguyen Co Thach in Hanoi, said during a meeting with Thai Deputy Prime Minister and Foreign Minister Sitthi Sawetsila that Vietnam has not changed its attitude on the Cambodian issue and has not shown any flexibility toward the CGDK's 8-point proposal. Vietnam still insists that people accept its conditions, namely the demand that Democratic Kampuchean forces--which are the major forces fighting the Vietnamese aggressors on the battlefield and dealing serious blows to the Vietnamese--be eliminated. This is a maneuver of the Hanoi Vietnamese aggressors in an attempt to discard Democratic Kampuchea, which is a pin sticking across the Vietnamese throat for the past more than 7 years and preventing the Vietnamese from annexing Cambodia.

With the backing of their Soviet masters, the Vietnamese have, for the past more than 7 years, been doing their best to try to get rid of this iron pin from their throat through military means to completely annex Cambodia. However, the Vietnamese have failed in their criminal goal through military means. The more they try the more the iron pin penetrates deeper and deeper in the Vietnamese throat. This is why the Vietnamese have resorted to political means by imposing this or that condition and demanding that the international community assist them in getting rid of and eliminating the Democratic Kampuchean iron pin, as they have failed to do so through military means.

This has shown the world even more clearly the real stubborn and insolent nature of the Vietnamese aggressor clique. People realize that the Vietnamese have no desire of resolving the Cambodian issue politically despite their constant propaganda of wanting peace and holding talks to resolve Cambodian and regional issues. The only goal of the Vietnamese is to occupy Cambodia forever, to annex and include it into their rotten Indochinese federation and use it as a stepping stone toward committing further aggression and expansion in Southeast Asia. That is why when the international community supports the CGDK's 8-point proposal to resolve the Cambodian issue politically and demands that the Hanoi

Vietnamese consider and accept the proposal, the Vietnamese have ludicrously rejected it. They insist that their unreasonable conditions are met instead

However, the world clearly realized that the Vietnamese are brutal aggressors and expansionists who have barbarously flaunted international law and the UN Charter. Therefore, the Vietnamese have no right to impose any conditions on the Cambodian people or the international community. They should unconditionally and immediately withdraw all their aggressor forces from Cambodia. As long as the Vietnamese clique stubbornly refuses to unconditionally withdraw its forces from Cambodia, people will continue to pressure the Vietnamese to contribute to the Cambodian people's struggle in forcing the Vietnamese to accept the CGDK's 8-point proposal to resolve the Cambodian issue politically by withdrawing all their forces immediately and unconditionally from Cambodia.

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COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK REVIEWS DK FORCES' RAINY SEASON ACTIVITIES

BK080430 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
7 Jul 86

[Station commentary: "This Rainy Season, Our National Army's Activities To Attack and Dismantle the Vietnamese Enemy Village and Commune Administrative Authorities Are Vigorous and Systematic Throughout the Country"]

[Text] This rainy season, the activities of our National Army to attack and dismantle Vietnamese commune and village authorities are being carried out throughout the country. In the five provinces around the Tonle Sap--an area with rich resources and a large population and a strategic area in military terms in western Cambodia--our National Army is still attacking and dismantling Vietnamese commune and village authorities time and time again further unsettling the already shaken Vietnamese administrative authorities.

In Sangke District, Battambang Province, we have attacked and dismantled Vietnamese village and commune authorities from Reach Don Kev to Bak Rotes Village, liberating 12 villages; we did this in Vat Samdech, Prasat Sangke, and Svay Sar and another 5 villages in Ta Pon Commune; in Krakaoh and Chea communes in Mound District, liberating 12 villages; in Kop Commune in Sisophon District, liberating 3 villages; in Phnum Toch Commune in Mongkolborei District, liberating 9 villages; in Tang Krasau, Chey, and Krava communes in Kompong Thom Province, liberating 8 villages; and in Baray Commune, Baray District, liberating 5 villages. We attacked the Sandan District seat and dismantled Vietnamese administrative networks in 12 villages in this district; we did this in Peam Chhkaok Commune along the Tonle Sap River below Kompong Chhnang Town, liberating 2 villages; in Baribo District, Kompong Chhnang; in Sereisamakki and Kulen villages along the Tonle Sap River in Kriel Commune, Kompong Leng District; and so on.

On the battlefield northwest of Phnom Penh, our National Army continues to attack and dismantle Vietnamese administrative networks in villages and communes. We did this in Trapeang Chuo and Ta Khoam villages in Veal Pon Commune, Thpong District; in Peang Lvea Commune; in Andong Chros Village in Trach Tong Commune, Udong District; and in Amleang Commune; and so on.

In other provinces, particularly in Kompong Cham, Kompong Speu, Kampot, and Takeo, these activities against the Vietnamese enemy are still being vigorously carried out. In Kratie, Stung Treng, Mondolkiri, and Ratanakiri provinces, our

National Army continues to attack and dismantle Vietnamese administrative authorities in communes and villages.

In sum, by this rainy season, our activities to dismantle Vietnamese commune and village administrative authorities have been vigorously and systematically carried out throughout the country. This is a good development of our struggle. This progress is generally steady and firm. These activities to attack and dismantle Vietnamese village and commune administrative authorities are very important because they destroy the basic roots of the Vietnamese war of aggression in Cambodia in every field, political, military, and economic. This will bring the Vietnamese down in every field. As for us, we have been making steady progress in every field. Can the Vietnamese enemy aggressors resist these numerous attacks by our forces?

At the end of the eighth dry season, the Vietnamese pulled back a large number of their troops to resist us in the interior of the country, particularly around Battambang Town, Phnom Penh, and on the first group of battlefield in general. However, the Vietnamese could not resist us. In the future, if the Vietnamese continue to withdraw more troops from the border, they will leave gaps along the border. And if they pull back and deploy their forces in villages and communes to resist our guerrillas, they will become weaker. And this would make it easy for us to attack the Vietnamese. Therefore, the Vietnamese are in an unsettled situation; wherever they turn, the Vietnamese face conflicts. These are between massing and deploying troops and between pulling troops from the border to defend the interior and leaving them at the border and leaving gaps in the interior. These conflicts will widen further; the Vietnamese cannot resolve them. The direction of the Vietnamese is toward further loss of initiative until they cannot stay in Cambodia.

Our National Army will continue to attack and dismantle the Vietnamese village and commune administrative networks and implement our new 5-point fighting method to weaken and bleed the Vietnamese enemy aggressors further on the Cambodian battlefield until they can no longer stand it and agree to resolve the Cambodian issue politically as proposed by the CGDK's 8-point plan.

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COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK COMMENTARY ON COMING NONALIGNED SUMMIT

BK090402 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
8 Jul 86

[Station Commentary: "Hoping That the Nonaligned Summit Conference in Harare Will Consolidate the Nonaligned Movement's Fundamental Principles"]

[Text] The nonaligned countries will hold their eighth summit conference in Harare, Zimbabwe, at the beginning of September. Many genuinely nonaligned countries, including Democratic Kampuchea, hope that this conference will consolidate the movement's fundamental principles and rectify a number of its unjust acts. During the sixth summit conference, in Havana in 1979, Cuba--an ally of the Soviet and Vietnamese aggressors--committed a perversely erroneous act in gross violation of the nonaligned principles. That year, the Hanoi authorities, whose country is a member of the Nonaligned Movement, sent hundreds of thousands of troops to invade and occupy Democratic Kampuchea--another member of the Nonaligned Movement--arrogantly and truculently violating the Nonaligned Movement's fundamental principles. At that time, Cuba--an ally of Vietnam--uttered no condemnation of the Hanoi Vietnamese aggressors for this aggressive act. On the contrary, Cuba was in collusion with Vietnam and used its power as the host country to expel Democratic Kampuchea--a victim of the Vietnamese authorities' gross and barbarous aggression--from its seat. Cuba did this in a gross violation of the nonaligned principles, particularly the principle of consensus, and against the will of the majority of genuinely non-aligned countries. This gross act by Cuba so enraged all the genuinely non-aligned countries that some of them withdrew from the movement.

During the seventh summit conference, in New Delhi in 1983, India which is also an ally of the Soviet Union and Vietnam colluded with its allies and used an unreasonable pretext to prevent the Democratic Kampuchean delegation from attending the summit and even left the Democratic Kampuchean seat vacant. Since then, the influence of the Nonaligned Movement has been in serious decline because Vietnam, Cuba, and India and their handful of allies have kept trampling upon and destroying the sacred principles of the movement and diverted the movement toward serving the Soviet international expansionists' global military goals. This is a regrettable act which runs totally counter to the aspirations and goals of the founders of our movement.

Now that the eighth summit conference is drawing near, many nonaligned countries who are unhappy with the perverse acts committed by Cuba, India, and

Vietnam have called on this summit conference to strengthen the nonaligned principles so that the movement will be able to play its role of defending world peace and the norms governing international relations, thus preventing a handful of countries--Vietnam, Cuba, India, and their allies--from diverting the movement to serve the Soviet Union's aggressive and expansionist policy. This is in order to restore the influence and prestige of the Nonaligned Movement.

The genuinely nonaligned countries have also called on the Nonaligned Movement to place the Cambodian problem, the Afghanistan problem, and various other important international issues on the agenda of this summit and to give justice to the victim, that is, to restore Democratic Kampuchea's seat which was unjustly withdrawn by Cuba in 1979.

As for Democratic Kampuchea, which is one of the most loyal original members of the Nonaligned Movement and which has strictly abided by the principles of the movement, it sincerely hopes that the eighth summit conference to be held in Harare will strengthen and maintain the sacred principles of the Nonaligned Movement for defending the interests of all member-countries. No one should be allowed to divert the movement toward serving the interests and ideals of any bloc. Democratic Kampuchea hopes that Zimbabwe--the host country and a genuinely nonaligned country--will join with the many other genuinely non-aligned countries in working for justice for Democratic Kampuchea and do anything possible to quickly restore Democratic Kampuchea's seat in this movement.

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

SFRY'S MOJSOV SENDS MESSAGE OF THANKS TO KHIEU SAMPHAN

BK090245 (Clandestine) Voice of the National Army of Democratic Kampuchea in
Cambodian 2315 GMT 8 Jul 86

[25 June message from Lazar Mojsov, vice president of the presidency of the
Socialist Federal Republic of Yugoslavia, to Khieu Samphan, vice president of
Democratic Kampuchea in charge of foreign affairs]

[Text] Your Excellency:

I am very happy to receive a congratulatory message from you on my election as
the vice president of the SFRY presidency. I thank you for the message. I
would like to extend best wishes to the friendly Cambodian people and express
my conviction in the fruitful relations of our two nonaligned countries.

I would like also to reiterate Yugoslavia's firm and total support for the Cam-
bodian people's just cause for national liberation and the efforts to seek a
peaceful and political solution to the serious problem of your country.

[Signed] Lazar Mojsov
Vice President of the Presidency
The Socialist Federal Republic of Yugoslavia

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CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

BRIEFS

VONADK: SOLDIERS MUTINY--On 18 June, a unit of Cambodian soldiers in Kompong Thom Town mutinied, destroying 3 ammunition and weapons warehouses of the Vietnamese enemy at Thomayut monastery, and killing 4 and wounding 16 Vietnamese soldiers. They burned down a Vietnamese weapons depot containing 150 assorted weapons and 2 ammunition depots containing 30 metric tons of ammunition, which was burning and exploding throughout the night and until the morning of 20 June. This is the patriotic and nationalist spirit of Cambodian soldiers and compatriots in Kompong Thom Town. It is a new event of Cambodian soldiers and compatriots in Kompong Thom Town after other major events of 8 June and 15 and 16 May. Other Cambodian soldiers in Kompong Thom Town and throughout the country, please follow the example of Cambodian soldiers in Kompong Thom Town who have freed themselves, destroyed many Vietnamese weapon and ammunition depots, and killed Vietnamese soldiers. [Text] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 27 Jun 86 BK]/12766

VONADK: SRV CONVOY AMBUSHED--West Battambang battlefield: On 19 June, our national Army ambushed a Vietnamese ammunition convoy leaving Battambang for Pailin east of (Anhchey). The 7-truck convoy was destroyed on the spot. We killed 26 Vietnamese soldiers on the trucks and wounded 12 others and destroyed all the ammunition in the trucks. [Excerpt] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 27 Jun 86 BK]/12766

VONADK: SANDAN DISTRICT CAPITAL HIT--The Kompong Thom battlefield: On the night of 24 June our national Army attacked the Vietnamese aggressors in Sandan District capital from three directions. The first prong hit the Sandan District administrative seat; the second hit the Vietnamese enemy's material warehouse on the bank of the Sen River; and the third hit the residence of the Sandan District chief. After 20 minutes of fighting, we killed 6 and wounded 10 Vietnamese soldiers, 1 textile warehouse with 300 rolls of cloth, 1 rice storehouse with 110 sacks of rice, 6 barracks, and some material. We seized 2 AK's, 1 map, and some war material. [Excerpt] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 29 Jun 86 BK]/12766

CSO: 4212/88

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

USSR JOURNAL INTERVIEWS NGUYEN CO THACH

AU310600 Moscow PROBLEMY MIRA I SOTSIALIZMA in Russian No 5 May 1986
(Signed to press 8 Apr 86) pp 66-69

[Interview given to the journal PROBLEMY MIRA I SOTSIALIZMA by Nguyen Co Thach, candidate member of the Central Committee Politburo of the Communist Party of Vietnam [CPV], minister of foreign affairs of the Socialist Republic of Vietnam: "On the Course of Peace, on the Good-Neighborliness"—date and place not given; passages between slantlines, comprising the editorial introductory note, published in boldface]

[Text] /The course of history more and more insistently demands the development of constructive and creative interaction of states and peoples on the scale of the entire planet. This idea strikingly resounded once again recently in the CPSU Central Committee's Political Report to the 27th CPSU Congress and was supported in their statements by many foreign guests of the congress. The urgent need for the just and peaceful settlement of hotbeds of tension in Southeast Asia and for developing good-neighborly and mutually beneficial relations between the states of the region was noted in several statements. "The world needs peace; every region in every continent or ocean needs it," Comrade Le Duan, general secretary of the Central Committee of the Communist Party of Vietnam, has pointed out. "...The time has come for Southeast Asia to develop a dialogue between the states and countries of Indochina and ASEAN member-countries to solve the existing problems between them. Vietnam consistently struggles for this in close unity with Laos and Kampuchea. Southeast Asia should be turned into a zone of peace, stability, friendship, and cooperation." (Footnote 1) (NHAN DAN, 27 February 1986)

/The journal's editors have asked Comrade Nguyen Co Thach, minister of foreign affairs of the Socialist Republic of Vietnam, (SRV) to reveal the essence of Vietnam's foreign policy at the present historical stage and its interconnection with the policies of other countries of Indochina./

[Journal] Comrade Minister, the conversation obviously should begin by addressing the basic principles of the SRV's foreign policy course.

[Nguyen Co Thach] The international activity of our party and state reflects the profound need of the entire Vietnamese people to live and work in peace, build the socialist society, and defend their freedom and

independence and the achievements of the revolution. We work out our foreign policy on the basis of the Marxist-Leninist teaching which Comrade Ho Chi Minh developed in relation to our conditions, and by combining in this policy the principles of socialist patriotism and internationalism.

Every unbiased person who is acquainted with the difficult and truly dramatic history of our country even only in general terms, will understand the sincerity of the Vietnamese people's peace-loving aspirations. In the course of many centuries foreign conquerors tried more than once to enslave our homeland and annex its territory, and every time the freedom-loving Vietnamese people were forced to interrupt their peaceful work and take up arms for their struggle. As far as our side was concerned, these were just defensive wars for our right to continue to be masters on our land and to independently determine our own fate.

In the middle of the last century Indochina became an object of the pretensions of big capitalist states. The French were masters here for nearly a century. During World War II they were replaced by the Japanese. The rout of Hitlerite fascism and Japanese militarism created the conditions for the victory of Vietnam's August Revolution in 1945. The people's power began to implement democratic transformations. The possibility was created for living in peace and security and following the path of socioeconomic progress. However, this development of events did not suit the calculations of the forces of world imperialism and reaction. All four postwar decades have been a period of heavy trials for us.

The Democratic Republic of Vietnam had been only just proclaimed when the French invaded the country with their expeditionary corps to restore their own power. After the rout of the French interventionists and the signing of the Geneva agreements on Indochina in 1954, the United States launched an attempt to occupy the country. Following a policy of neo-colonialism, it unleashed an aggressive war in Indochina. The American Army threw an enormous military force against our peoples, using five times more bombs and shells than in World War II. The U.S. aggression brought uncounted sufferings to Vietnam and took a toll of a multitude of victims among the country's peaceful inhabitants. As is known, this time, too, we held out and won. Our motherland was again independent and united.

But even after the expulsion of American occupiers we have been unable to take full advantage of the fruits of the long-awaited peace. In the second half of the 70's the Pol Pot terrorist clique that had captured power in neighboring Cambodia and was encouraged from abroad, embarked on a course of confrontation with Vietnam. In 1979 China carried out an armed aggression against us and since then it has continued combat operations on the Vietnamese-Chinese border to this day.

I think that these and many other circumstances explain completely and unequivocally what our people want: peace and again peace, and normal conditions for the country's rebirth and for building a happy life.

[Journal] What tasks is Vietnam setting for itself as a participant in the movement of peace-loving forces of the planet?

[Nguyen Co Thach] We indissolubly link the struggle for peace with the struggle for national independence, democracy, and socialism. The stronger the positions of world socialism, the international communist and workers movement, and the national liberation forces are, the greater is the confidence that the attempts of the imperialist circles to start armed conflicts anywhere, including in Southeast Asia, will be thwarted.

The successes achieved by Vietnam's revolution as well as the entire social progress of the 20th century would have been impossible without the Great October Revolution that started the transition from capitalism to socialism. Unlike imperialism, which tries to stop the march of history with force and bring back the past, socialism, acting of its own free will, has never linked its future with military solutions of international problems, that is, solutions that would be oriented toward the past.

Thanks to joint actions of the socialist states and all peace-loving forces, mankind has not experienced a world war for 4 decades now. This fact raises hopes that it will continue to be possible to solve the existing disagreements between states and social systems with political methods.

However, it is impossible to overlook the fact that we face an enormous danger, the threat of a nuclear war that could annihilate all life on earth. The international situation has grown more tense than ever before as a result of the policy of the bellicose right-wing capitalist circles headed by U.S. imperialism. They strive to upset the military-strategic balance that has come about between the USSR and the United States, to extend the arms race to outer space, and to impose their own will on sovereign states by grossly interfering in their internal affairs.

Averting a nuclear catastrophe is the most urgent task of mankind. The people of Vietnam also see this as their task, and they march in the front ranks of the struggle against imperialism and for peace on the planet. This is why we ardently support the initiative of Comrade M.S. Gorbachev, general secretary of the CPSU Central Committee, of 15 January this year for a complete liquidation of nuclear weapons by the year 2000. In his greetings address to the 27th CPSU Congress Le Duan, general secretary of the Central Committee of the CPV, emphasized that the "implementation of that program would make it possible for mankind to enter the 21st century with the hope to live in a world that would not be threatened by lethal weapons, a world where wars would cease to be the means for solving disputes in relations between countries." (Footnote 2) (Ibid)

[Journal] In their revolutionary struggle and their striving to achieve freedom and independence, the people of Vietnam have always enjoyed the support of the Soviet Union and other socialist countries. How can these relations be characterized at the present time?

[Nguyen Co.Thach] Yes, our people have always had the support of the Soviet Union, other fraternal countries, and all honest people of the planet. This support is also extremely valuable now when Vietnam has not yet healed its wounds but the northern aggressors, in compact with imperialism and reaction, are inflicting painful blows on Vietnam and two other countries of Indochina. They stop at nothing and they carry out refined subversive actions in all spheres, that is, in the political, economic, and military spheres.

The further deepening of cooperation with fraternal countries is a factor of immense importance for implementing the program of building new life in Vietnam. These international relations are built on the principles of sovereignty, equality, friendship, fraternal cooperation, and mutual assistance.

Thanks to the SRV's membership in CEMA, which it joined in 1978, and as a result of the conclusion of the friendship and cooperation treaties with several socialist states, Vietnam has broadened and deepened its relations with the fraternal countries. The decisions of the Moscow economic conference at the highest level (in July 1984) on accelerating the process of gradually leveling the economic development of CEMA member-countries, and first and foremost, the SRV, the Republic of Cuba, and the Mongolian People's Republic with the level of the European states of the community, are of fundamentally great importance for us.

The Soviet-Vietnamese relations in the economic sphere play a special role at the contemporary stage and have a favorable effect on the development of a majority of key branches of the republic's national economy. In the current 5-year plan period the USSR is assisting the SRV in building and in planning and designing approximately 100 projects. We also intensively cooperate with other countries of the community. The machine-building, timber and wood processing, light, and food industries and agriculture are being strengthened with their assistance. All this makes it possible to carry out three revolutions, that is, in social relations, science and technology, and ideology and culture.

The visit of Le Duan, general secretary of the CPV Central Committee, to Moscow in June 1985 was an event of great importance. The joint declaration of the SRV and the USSR adopted on that occasion notes that the "sides will continue to tirelessly strengthen the ties of close friendship and solidarity between the CPSU and the CPV. This is the principled and immutable line of the CPSU and the CPV and the Soviet Union and Vietnam, which reflects the will and aspirations of the peoples of the two countries." (Footnote 3) (PRAVDA, 30 June 1985)

[Journal] The comprehensive alliance between Vietnam, Laos, and Cambodia is becoming increasingly close. What are the urgent tasks that are being solved by the community of the three countries of Kampuchea?

[Nguyen Co Thach] Our peoples have much in common. Their joint struggle against enemies, their rejoicing over the independence and freedom won by them, and the misfortunes and sufferings experienced by them have continued to unite them through centuries. They are now linked together by their striving to defend the revolutionary achievements to and advance along the road of socioeconomic progress.

As was noted at history's first conference of the highest party and state leaders of the SRV, the Lao People's Democratic Republic, and the People's Republic of Kampuchea [PRK] held in 1983, the special relations and solidarity between our peoples are the result of the development of revolution in the three countries and represent a decisive factor in the task of defeating their enemies and achieving independence and freedom.

The fundamental principles of mutual relations between the three states of Indochina have been formulated in their jointly adopted documents and they are strictly respected. They provide for the development of solidarity, cooperation, and mutual assistance in the tasks of national construction and defense on the basis of Marxism-Leninism and socialist internationalism. All problems concerning the relations between our states are solved by negotiations in the spirit of respect for independence, sovereignty, and territorial integrity, noninterference in each other's internal affairs, mutual understanding, and respect for the legitimate interests of each individual country and of the community as a whole. The governments of Indochina's states have committed themselves to waging the struggle against all enemy intrigues to split them and to constantly educating their peoples in the spirit of traditional friendship and of understanding of the special relations among them.

This approach corresponds not only to the interests of our nations, but also to the purport of the international agreements on Indochina and the principles of the UN Charter and the Nonaligned Movement. The implementation of this approach convincingly refutes the cock-and-bull stories that are being spread by reactionary propaganda about Vietnam's intention to "enslave" Laos and Cambodia by setting up the so-called "Indochina Federation." Our adversaries need this kind of invention to break up Indochina's solidarity and interfere in the internal affairs of the region's states. But our peoples know how to distinguish between truth and lies and they recognize the benefits of our countries' alliance for each of them on the basis of their own experience and naturally cooperate in every way possible to strengthen it.

[Journal] In recent years the three countries of Indochina have taken a number of foreign policy initiatives. What response have these initiatives evoked among the ASEAN member-states and in this connection, what are the prospects for strengthening peace and stability in Southeast Asia and for solving the so-called Cambodia problem?

[Nguyen Co Thach] I recall once again that in the last few decades a bitter struggle between the forces of national independence and socialism, on the one hand, and the forces of imperialism, colonialism, neocolonialism,

and international reaction, on the other, has developed precisely in our region. The victory of the freedom-loving peoples of Indochina has changed the political situation in Southeast Asia. Following the failure of the U.S. intervention, the possibility was created for living in peace with neighbors, something which was attested to by the statements of ASEAN member-countries in the 70's. However, in 1979, when the Chinese forces attacked Vietnam, an illusion was created among the right-wing circles of bourgeois states that the revolutionary process in the countries of Indochina could allegedly be reversed, and they entered into a bloc with the aggressor. This policy has utterly failed. The peoples of Indochina are growing stronger and stronger and the situation in Cambodia has assumed a truly irreversible nature.

Our position concerning the nature of relations between the three countries of Indochina and ASEAN is well known. We are convinced that these two groups of states should settle all their differences through negotiations in the spirit of good-neighborliness, coexist in peace and friendship, cooperate among themselves, and not allow other countries to interfere in their affairs, sow discord among them, or use the territory of one of them against any other of the countries involved.

Certain changes for the better between the aforementioned groups of states are taking place. Beginning in 1985, following the statement by the conference of the ministers of foreign affairs of the three countries of Indochina on the possibility of a withdrawal of all Vietnamese forces from Cambodia by 1990, a dialogue has opened between Indonesia and Vietnam, which act as representatives of ASEAN and the three states of Indochina, respectively. We are convinced that real possibilities exist for solving the existing problems by political means and for achieving peace and stability in Southeast Asia in general and in Cambodia in particular. In the opinion shared by a majority of the countries and movements of the region, achieving a mutually acceptable agreement on three issues is the key to solving these problems.

The first issue is the question of the withdrawal of Vietnamese forces from Cambodia. The Vietnamese forces are there under the treaty concluded by the PRK and SRV governments. As the forces of the Kampuchean People's Revolutionary Armed Forces grow stronger, the numerical strength of the Vietnamese units in the PRK is being reduced. This is a continuous process taking place every year. The forces of the emigres, that is, the so-called "coalition government," the core of which is formed by Pol Pot's followers, have lost support in the country and can only hold on with foreign assistance. If it were not for this assistance, the PRK could defend itself with its own army.

However, the interference of imperialism and reaction in Cambodia's affairs continues. Nevertheless, the success of the revolutionary forces is undeniably manifesting itself more and more distinctly. Consequently, a situation may gradually come about when all Vietnamese forces will be withdrawn from the PRK and the republic will be able to safeguard its sovereignty with its own forces.

However, there is another possibility for a quicker solution of the problem, and that is: termination of foreign assistance to Pol Pot's followers. In this case the sides concerned could agree within a shorter time precisely about a political settlement of the existing differences. The three countries of Indochina prefer the second alternative but also reserve for themselves the initiative to carry out the first one.

Second, what is involved is the achievement of an accord between the PRK and the opposition forces. Vietnam positively appraises the PRK's statement on its readiness to open negotiations with various Khmer opposition groups or with individuals of the same orientation under the condition that the Pol Pot clique, which has carried out a policy of genocide, be excluded from negotiations. This is an internal affair of Cambodia and should be solved by the Cambodians themselves. If such a solution is found, then the sides concerned will be able to consider the questions concerning a new constitution and also the ways in which they should act to strengthen Cambodia's independence and sovereignty.

Third, the establishment of a zone of peace, friendship, and cooperation depends to a great extent--in addition to the aforementioned circumstances--also on the successes of the aforesaid negotiations between Indochina and ASEAN. In our opinion, it would be expedient to also hold an international conference on the problems of peace and stability in Southeast Asia in which all states of that region and the permanent members of the UN Security Council would participate.

Vietnam, Laos, and Cambodia sincerely strive to establish good-neighborly relations with all countries regardless of their political systems. This immutable position was also confirmed at the 12th conference of the ministers of foreign affairs of the three states in January this year.

Just as in the past, now, too, the peoples of Indochina consider it necessary to restore the relations of friendship with the Chinese people. Although the situation on the Vietnamese-Chinese border continues to be poisoned by the hegemonist and expansionist plans of international reaction, the SRV is making tireless efforts for a peaceful settlement of the existing problems and has more than once proposed to China to open negotiations on normalizing bilateral relations. Vietnam is doing everything in its power to create favorable conditions for the success of negotiations. Our proposals for a ceasefire on the border during the national holidays and for the repatriation of Chinese prisoners attest to the SRV's goodwill and sincere intentions.

The Indochina states also want to establish good-neighborly relations with Thailand and are ready to do everything in their power for this purpose. All of them together and, accordingly, each of them separately advocate the negotiations and the conclusion of a treaty [dogovor] with Thailand on the principles of peaceful coexistence, mutual renunciation of aggression, noninterference in internal affairs, respect for each other's sovereignty and territorial integrity within the presently existing borders, and renunciation of making one's own territory available for any activities directed against other states.

We are also ready to maintain relations with the United States on the basis of equal rights and mutual advantage. In particular, we propose to the United States to start high-level negotiations aimed at achieving a fundamental solution of the problem of that country's citizens missing in action during the war and on other issues of mutual interest. In our opinion, this will also contribute to the process of restoring peace and stability in Southeast Asia.

[Journal] The imperialist powers continue to pursue a policy of isolation against the three Indochina countries. Under these conditions, how do you assess the possibility for expanding their international relations?

[Nguyen Co Thach] I want to say that imperialism applied the policy of isolation in relation to all socialist countries long ago and has continued to apply it to this day. Capitalism has received the birth of the new social formation as a "mistake" of history which should be "corrected." Flouting laws and morals, international reaction has embarked on a course of armed interventions, economic blockades, subversive activities, sanctions and "penalties," and renunciation of any kind of cooperation. However, nothing could prevent the assertion of the new system and its historical right to life.

For many years the Soviet Union remained alone, encircled by imperialist powers. After World War II this blockade was broken and socialism grew into a world system. The international relations of the Indochina states have developed and continue to develop in the same direction. During the war waged by the United States against the Democratic Republic of Vietnam we were recognized by no more than 10 states, but now the SRV maintains diplomatic relations with over 100 countries and the PRK maintains them with 35 countries. Since 1977 the SRV has been a member of the United Nations. Vietnam is an active member of the Nonaligned Movement.

We have loyal friends and reliable allies. The imperialist venture with the economic blockade of the SRV has completely failed.

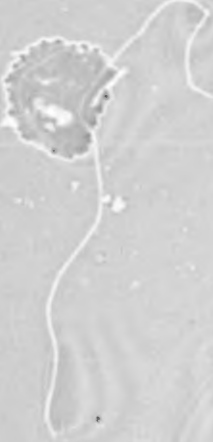
Vietnam confidently advances along its path. We are on the side of those who struggle against imperialism, colonialism, neocolonialism, apartheid, racism, and Zionism. We are with those who advocate peace, national independence, democracy, and socialism. Analyzing the past, we confidently look to the future and believe that this struggle will be triumphant.

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Southeast Asia Report

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29 JULY 1986

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AUSTRALIA

INCREASING FOOD IMPORTATION PROMPTS OFFICIAL CONCERN

Prime Minister's Appeal

North Richmond THE LAND in English 26 Jun 86 p 11

[Article by Vernon Graham]

[Text]

The shelves and freezers of supermarkets would make an excellent starting place for the Buy Australian campaign planned by the Federal Government.

Supermarket aisles hold unnerving evidence of the inroads being made into the Australian food market by imports.

Canned, frozen and dried fruit and vegetables and tinned meats from around the world are now battling against home-grown products for both shelf space and consumer dollars.

Although imports still represent only a small slice of total supermarket sales, their substantial presence at the "cheap end" of the retail food market is causing serious heartburn to Australian fruit and vegetable industries.

Growers also are missing out in the fast food sector. Kentucky Fried Chicken goes overseas for most of the estimated nine million pieces of fresh corn on the cob used annually in the company's Australian outlets, because of dissatisfaction with the local product.

The Bureau of Statistics estimates food and beverage imports to Australia were more than \$1300 million in 1984-85 — including more than \$280 million of vegetable products (\$170 million in 1982-83).

Much of the imported food is coming from countries with either cheap labor (South Africa, Chile, Spain, Taiwan, China) or lucrative farm and export subsidies (some EC countries) — which raises the vexed question of the dumping of food on the Australian market.

Serious inadequacies in Australia's present safeguards against dumping were highlighted in the Industries Assistance Commission's April 29 report on vegetables and vegetable products.

The IAC was asked to investigate future assistance to the vegetable industry after complaints that imports of New Zealand peas were damaging local producers and processors.

Although conceding that Australia's horticultural

industries were extremely efficient and received nil or low levels of government aid, the IAC recommended a flat 10pc tariff on imports of all processed vegetable products (some products like potatoes, mushrooms, navy beans and tomatoes now receive much higher protection).

Industry officials fear the IAC report, if adopted, will trigger a flood of dumped product, although a special Government-appointed committee headed by Professor Fred Gruen is now reviewing our anti-dumping laws and significant changes to better protect Australian industries from unfair overseas competition are expected soon.

Estimates given by leading local processor, Edgell, to the IAC vegetable inquiry suggested that in 1984-85, imports grabbed a 17pc share of the Australian market for frozen peas, 19pc of frozen beans, 39pc of frozen sweet corn, 64pc of canned asparagus and 27pc of canned tomatoes.

A check by "The Land" last week of the biggest supermarkets in the Richmond-Windsor area, west of Sydney, revealed an astonishing range of imported foods.

Many were packaged in generic or house brands (No Frills, Farmland, Plain Wrap, No Name etc.) and were often much cheaper than equivalent Australian products.

A close look at cans and packets was often needed to discover the country of origin of some imported goods.

Supermarket shoppers in Richmond-Windsor last week could buy a wide range of cheap imported canned products including pears, strawberries and artichoke hearts from Spain; sliced peaches from Greece; pineapple pieces, asparagus, mushrooms and creamed corn from China; red cherries, peeled tomatoes and strawberries from Canada; paw paws, creamed corn, asparagus and mushrooms from Taiwan; grapefruit pieces, dried peas and dried fruits from South Africa; spinach from Holland; asparagus from

New Zealand and leg ham from Denmark and Ireland.

Freezer cabinets were also well stocked with frozen vegetables from overseas including beans, peas and corn from NZ, chopped spinach and corn from the United States and mixed vegetables from Taiwan.

In one supermarket one kilogram packs of frozen beans from New Zealand (\$1.32 each) were placed side-by-side with Australian beans (\$1.99). In the same freezer one kilogram packs of NZ peas were 46c cheaper than Australian product.

Deputy leader of the NSW National Party, Mr Ian Armstrong, says the present level of food imports into Australia is far too high and restrictions are needed to reduce the amount of basic foodstuffs being shipped here.

"He says Australia is becoming a dumping ground for some overseas food products although he has no quibbles about importing unique or special foods (caviar, salmon etc).

"Australia should be able to provide its own basic foods like fresh, tinned and frozen vegetables and meats. I fail to see why Australia imported 3000 tonnes of NZ beef last year.

"Canned whole tomatoes from Canada and Italy are now being dumped in Australia," Mr Armstrong says.

"Unless something is done the problem is going to get worse."

NSW LGPA policy director, Dr Gary Bond, also believes some imported foods are being dumped in Australia.

He says the LGPA is not opposed to competition from imports — as long as the trade is fair.

It would be unfair to single out any of the big supermarket chains for sharp criticism over the import of food because they operate in a highly competitive environment.

Public relations manager for Coles New World, Mr Greg Every, says his company is proud of the amount of Australian-produced foods sold through its 360 supermarkets.

He says Coles New World sells imported food lines for a number of reasons, including the unavailability of some products in Australia, seasonal shortages (fresh navel oranges) or the

uniqueness of some products (Canadian salmon).

But the company sometimes has to match its competitors by importing a product which is available more cheaply overseas than in Australia.

Coles cannot totally source a product in Australia if a competitor is able to import the same product at a much cheaper price.

A certain percentage of shoppers are "price-conscious" and will buy the cheapest product no matter where it is grown or processed, he says.

The company also doesn't seek to conceal from shoppers the origin of imported products by marketing them through generic or house brands.

Mr Every says of the 975 lines sold under generic or house brands (the cheapest products) at Coles New World, 86.7pc are supplied by Australia.

Meanwhile, more efforts are being made to pull the fruit and vegetable industry into a more tightly co-ordinated group.

Executive director of Australian Horticultural Growers Council, Mr Brian Newman, says the biggest problem facing the industry is its fragmentation. New steps are being taken to overcome this problem, he says.

Mr Newman says the industry is under threat from cheaper or subsidised imports, although he doesn't see imports of fresh product as much of a danger.

Imports of fresh fruit and vegetables historically haven't been large and normally supplement shortfalls in local output.

Mr Newman says Australian and NZ growers have recently engaged in talks to discuss mutual problems, including tactics used by some processors to force down on-farm returns in both countries.

He says Australian farmers can grow high quality fruit and vegetables as cheaply as anyone in the world — the problems start when the product is taken from the farm for processing and marketing.

Countries like Chile, South Africa and Spain have much cheaper labor costs which is important in a labor-intensive industry like horticulture.

He believes the Prime Minister's Buy Australian campaign may encourage more consumers to ignore imported product on supermarket shelves.

Editorial Offers Lessons

North Richmond THE LAND in English 26 Jun 86 p 8

[Editorial: "Australia as a Food Importer"]

[Text]

OUR feature story this week on the extent of foreign food importation into this country should arouse a sense of outrage in the breast of every patriotic Australian.

While we pride ourselves on the efficiency and diversity of our agricultural industries, and take for granted our self-sufficiency in staple foodstuffs, the reality is that Australia is an importer of food

products to the tune of roughly \$1000 million a year.

And that figure doesn't include wines, spirits, tea and coffee.

To put things into perspective, that is about the value of our annual exports of beef — our third-biggest rural export commodity.

Few people would argue with Australia importing specialty food products from overseas. Imports of items like tinned salmon, caviar and even some gourmet cheeses can be defended on grounds of local non-availability.

But the fact is that many of Australia's food imports lie not in the high-priced lines of caviar and gruyere; they are in the common lines of vegetable, fruit, meat and cereal products which, one would have thought, we were perfectly capable of producing for ourselves.

There are at least three lessons to be learned from Australia's Great Food Import Scandal.

The first is the well-worn one about Australia's declining competitiveness: many of the food products on sale in Australia are here purely because a retailer can sell a foreign line more cheaply than a locally-produced line.

In some cases (such as the EC), this foreign cost-competitiveness has to do with subsidisation at the product source, and as such justifies a tightening-up of our import protection laws.

But in many cases the difference lies merely in the high cost of local production — particularly from the farm gate onwards.

How many of Australia's food-producing competitors, one might ask, are doing battle with unions over 17.5pc holiday pay loadings and "productivity" based, employer-funded superannuation claims.

Again, how many of our competitors are now

looking down the barrel of a fringe benefits tax which will require the employer — not the recipient — to bear a new, income-unrelated impost or lose the long-standing goodwill of his employees.

The second lesson from our foreign food bill is that Australia needs to review its position on plant variety rights as a matter of urgency.

If we can believe what we are told by food retailers, much of the imported food (corn, for instance) is bought only because locally-grown varieties do not offer what the consumer requires.

Thirdly — and probably most importantly — the extent of our foodstuff imports highlights the need for a major public awareness campaign on the part of agricultural industries.

Ever since the Prime Minister's call two weeks ago for a "Buy Australian" campaign, many words have been written and spoken about the merits or otherwise of buying locally-made manufactured products.

But next to nothing has been said about the importance (from a balance of trade point of view) of buying Australian food. Presumably journalists take it for granted that the amount of foreign food sold in Australia is not worth worrying about.

Because of this misconception, it is important that farmers — and particularly growers of horticultural products — climb aboard the "Buy Australian" waggon.

Thanks to the publicity given to the farm sector during the past 12 months, the average Australian is now fairly sympathetic to the plight of our farmers. For this reason, a "Buy Australian" campaign with a food emphasis could be expected to be well received.

But it is up to producers in various farm industries to initiate such a campaign: no-one else will.

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CSO: 4200/1205

AUSTRALIA

WEEKLY ON U.S. PENETRATION OF WHEAT MARKET

North Richmond THE LAND in English 26 Jun 86 p 3

[Article by Peter Hemphill]

[Text]

THE United States has made a further penetration into Australian wheat markets with the sale of 50,000 tonnes of wheat to Sri Lanka under its Export Enhancement Program.

The sale follows recent encroachments by the US into a number of traditional Australian grain markets, including the Jordanian and North Yemeni wheat markets and the Saudi Arabian barley market.

News of the sale has prompted a fresh outburst from the Australian Wheat Board, whose dep-

uty manager, Mr Bob McCarthy, has labelled the US subsidy program as "predatory" in relation to non-subsidizing countries like Australia.

Although the Wheat Board has yet to confirm the sale, it is believed that US grain trader, Louis Dreyfus, made the Sri Lankan deal at \$US86 a tonne, c&f, with the help of an EEP subsidy.

The Wheat Board tendered a price of about \$US108 a tonne, but the actual landed price was to depend on what arrangements could be made by the board's selling agent with freight and insurance.

A Wheat Board spokesman said freight and insurance costs to Sri Lanka were normally about \$US10 a tonne.

Sri Lanka has been a developing Australian market over the past 10 years, taking 200,000 tonnes in 1984-85. Imports from the US in that year amounted to about 150,000 tonnes.

Total Sri Lankan wheat imports amount to about 600,000 tonnes annually.

Mr McCarthy said the US subsidy scheme was the main reason for the \$US30 a tonne drop in wheat prices over the past few months.

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CSO: 4200/1205

AUSTRALIA

ELDERS PLANS FOR BHP BID REVEALED

Sydney THE SYDNEY MORNING HERALD in English 27 Jun 86 p 19

[Article by Graham Reilly]

[Excerpt]

Confidential bank documents obtained by *The Sydney Morning Herald* reveal that Elders IXL prepared plans for a \$A5.5 billion bid for 60 per cent of all BHP shares not held by Elders.

The internal bank documents reveal credit lines and bond issues had been or were being arranged to enable Elders to offer \$9.25 a share (cum dividend) in opposition to Mr Robert Holmes à Court's \$9.20-a share bid. Elders' bid would not have been subject to any minimum or maximum acceptance conditions.

The documents are based on shareholding levels before the close of Bell's recent takeover bid for BHP. Bell finished with an entitlement to 29.2 per cent of BHP shares.

It is not known if the plans, in that form, are still on an active footing.

Mr Ken Jarrett, an Elders executive director, said yesterday no comment could be made and even were the group to concede the documents existed it would make no comment.

If Elders achieved the maximum target under its bid proposal of 610 million BHP shares it would control 67.4 per cent of BHP for an overall cost of about \$A7.12 billion, although in the absence of acceptances from Bell

ship labelled Pommie and Popeye respectively.

Elders believed that at between 32 per cent and 38 per cent it would have been in a position to control effectively BHP and "achieve further improvements in Jumbo's already strong profitability/cash flows through the implementation of Armageddon's proven management and financial techniques," the document says.

Elders then expected that Bell, and Adelaide Steamship, Elders is shown to have been working on reaching 32 per cent to 38 per cent of BHP's capital from its 18.5 per cent base.

The authors of the document have titled the finance package "Armageddon Two", its predecessor being the financing package for Elders' initial BHP market raid, code-named Armageddon, with BHP called Jumbo, and Bell Resources and Adelaide Steam-

if it had not already sold 60 per cent of its holding under the Elders offer, would not have wished to retain its stake in BHP when it had no prospect of ever gaining control, and would then sell its holding to institutions seeking to reinvest in BHP after the question of control had been resolved.

"Summarising, Armageddon believes that offers proposed, which are more attractive than Pommie's existing offers, will receive acceptances from at least 50 per cent of Jumbo's remaining shareholders and thereby give Armageddon a controlling interest in Jumbo."

The changed circumstances since the close of the Bell bid doubtless have altered part of Elders' thinking, given the additional 11 per cent of capital tied up by Bell.

The bid planning showed finance coming from a \$A3 billion bank facility, convertible notes amounting to about \$A1.2 billion and additional debt of \$A1.3 billion.

AUSTRALIA

CRA BACKS AWAY FROM BHP STAKE

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 38

[Article by Christopher Webb]

[Text]

The idea of CRA taking a 15 per cent stake in BHP had not proceeded because it had not presented an overwhelming commercial advantage, CRA's chairman Sir Roderick Carnegie told the National Companies and Securities Commission inquiry into the BHP-Elders IXL affair yesterday.

"...we believed that we had to have a overwhelming commercial advantage in order to justify taking this step," he told the inquiry.

"At the board meeting the case for proceeding was not proven and we therefore decided it was better to terminate discussions, which we did on April 2," he said.

Sir Roderick said he and Mr John Ralph of CRA had visited the managing director of BHP, Mr Brian Loton and Sir James Balderstone.

Mr Doug Meagher, QC, assisting the NCSC, asked: "Yes, and you no doubt explained the reasons why you were not proceeding. Was there any reaction from them?"

Sir Roderick replied: "I think they were disappointed that we felt that we couldn't carry the discussions further because I think both BHP and ourselves — both before the month of March and afterwards, during and afterwards — believed that we ought to maintain good working arrangements just because as large compa-

nies in this country we ought not to do things which are silly."

"And I think that they felt this was an opportunity for a closer association, as I did, and therefore that it couldn't be carried further was a disappointment to both sides."

Sir Roderick said CRA had felt that unless it could justify the move as having overwhelming commercial advantages the company was better to stick to its more normal activities.

The NCSC chairman, Henry Bosch told Sir Roderick that "overwhelming" sounds unusual".

"Well the reason for that was that we were not in the business of making such a large passive investment in a company and while, in thinking about the oil business, we really — unless we are extraordinarily lucky — are probably not going to be able to get a position that is, that has, the sort of managerial involvement that we would have in most of our businesses. We were concerned about the reaction of the marketplace to us having such a large investment," Sir Roderick said.

Meanwhile, the NCSC came back again to the matter of Elders IXL's convertible bonds, which BHP had bought in large quantities.

Counsel for Elders, Mr J. Sher, has repeatedly asked Mr Bosch what it was about the bonds that so concerned the Commission.

Mr Bosch referred to the bonds yesterday. He said he had read through a statutory declaration made by Mr Richard Wiesener in Monaco and accompanying letters, statements and teleprinter messages.

"It leads me to say what the devil else was going on?" He said the buyers of the bonds were accepting extremely onerous conditions.

"My personal view is — it's odd," Mr Bosch pronounced.

Mr Sher said what had been done in relation to the bonds was done solely by Mr Wiesener, that the purchasers were not bound and that the requirement was that they would have regard to his recommendations.

AUSTRALIA

STATUS OF UNION-EMPLOYER SUPERANNUATION TALKS

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 7

[Article by Matthew Moore]

[Text]

The Arbitration Commission's decision to encourage unions and employers to reach their own agreements on employer-financed superannuation has given a big head-start to those organisations which have already begun negotiations.

The race to benefit from a 3 per cent payout is now on with the strong, well-organised unions theoretically able to win the money under the "special and isolated circumstances" clause in the decision.

The general rule is for no employer payments to be made until after January 1 and the reality is that most payments will be at least a year or more after that.

Some unions have had schemes up and running for years and will now negotiate additional employer contributions equal to 3 per cent of wages. Others have set up schemes since last year's ACTU-Government agreement on superannuation although these schemes will remain little more than shells until employers

contribute the 3 per cent.

Much of the unionised workforce has not done much at all and must now set up some new scheme, and then begin negotiations, or seek employers to contribute to one of the new industry schemes.

The whole superannuation area is now in a state of flux but a quick look at industries reveals:

Transport: Unions and employers have already reached agreement on paying 3 per cent into a union scheme and four big companies have agreed on a date but the union will have to negotiate with hundreds of others on timing. Many are likely to agree to a pre-January date.

Building: Two employer-financed, union-run schemes in place for two years - unions will now ask for an extra 3 per cent and are likely to get it before January 1.

Paint: Agreement reached for payment from July 1.

Manufacturing: Joint union-employer scheme which some employers have agreed to pay into. Long negotiations pre-

dicted with most payments likely after January 1.

Coal: No scheme yet but agreement reached on July 1 date.

Oil: Company-run funds in place but could be moves for industry fund for 3 per cent.

Pulp and Paper: Negotiations well under way on memorandum of understanding covering 3 per cent - no date fixed.

Waterside: Established scheme in place - top-up of 3 per cent but no agreement and January 1 or earlier likely.

Clothing and Allied: Model schemes only but negotiations expected. After January 1.

Insurance: Some negotiations on industry scheme - no payments before January 1.

Banking: Little progress to date.

Breweries: Employers prepared to negotiate - possibility for industry scheme from January 1.

Liquor: Union has draft scheme - no payments likely until after January 1.

Pastoral: No movement likely in years.

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AUSTRALIA

CURRENT INDUSTRIAL HARMONY ANALYZED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 13

[Article by Peter Hartcher]

[Text]

THE late Clarry Gaudrey was the voice of employers in the heavy engineering trade. Towards the end of 1984, a union official told him that the employers had to get together with the union to solve the industry's problems.

Clarry didn't hesitate. He flung his coffee cup onto the carpet, swore loudly and left the room.

Industrial harmony has never been a feature of the industry.

Almost two years later, and with the considerable assistance of the Federal Government, such an agreement — a unique plan, backed by \$90 million of Federal money, for the rescue of the industry — is a reality.

But will it work? Will it stop the factory closures, the retrenchments?

Every year since 1979, an average of three heavy engineering factories have shut down. And the trend is continuing.

The biggest heavy engineer in Australia, Australian National Industries Ltd — which also happens to be one of Australia's biggest 50 companies — is planning to close another.

It hasn't announced it yet, but a foundry which once employed 160 and now has only half that number is to be closed. For ANI, the Government-sponsored, \$90 million heavy engineering plan will be of no use.

Indeed, ANI's managing director, Neil Jones, is disdainful of the whole idea; his reaction is similar to Clarry Gaudrey's. Jones says: "I think [the plan] is designed to protect weak and incompetent management. It's unlikely to change the metalworking unions.

"I doubt if new investment can

succeed in those conditions. Frankly, it's pouring taxpayers' money down the drain and we can ill afford to do that."

Jones is among the most hostile of the employers.

Another of the biggest heavy engineers in Australia, Wormald Machinery, has announced plans to close its Ballarat plant, which employs 360, unless it can secure union commitment to changes in work practices.

Otherwise, it says, the plant cannot justify its existence as an investment. But Wormald is less critical of the heavy engineering plan.

It has already tried, unsuccessfully, to negotiate new work practices. For those 360 workers, the heavy engineering plan is probably the only remaining hope of keeping their jobs.

Plant closures are the hard realities of the industry, which suffered a severe downturn with the collapse of the mining boom.

It is notable that when the Government ordered the Industries Assistance Commission to prepare a report on the industry, it didn't ask how the industry could be developed, rationalised, or improved.

Rather, it asked the commission "to report on how the Government can give effect to its intention to *maintain* a heavy engineering industry." (Emphasis added).

The rescue plan is an innovative one, which goes to the heart of the industry's problems: outmoded work practices and a lack of new investment.

The main union in the industry, the left-wing Amalgamated Metal Workers' Union, is making the correct noises. Its

Victorian secretary, John Halfpenny, says: "There is a general realisation that there are shared interests; unions want to increase job opportunities and retain their standards of living, employers want to keep their businesses and make them prosperous."

"The heavy engineering plan is an acknowledgement that, more than ever, we do have shared interests ... In the 1960s and 70s, we were primarily concerned with redistribution [of wealth]. Now it is a matter of distribution ..."

Halfpenny says his union is in the process of negotiating changes in work practices in three major factories. "We are revising work classifications to bring them into the latter part of the 20th century."

Some, probably all, employers are sceptical of Halfpenny's goodwill. Jones again: "Work practices are the greatest problem. The mentality of the unions in this industry won't change overnight. It's going to be a hard slog and a bloody one."

No Government edict can eliminate this sort of entrenched union-versus-management antagonism. The key to the heavy engineering plan is to encourage a co-operative management-and-worker approach to the running of factories.

In companies where there is genuine co-operation, the Government, for the next three years at least, will provide rewards. To stimulate investment, it will

offer to ease the cost of borrowing money by subsidising the rate of interest.

At current rates, the subsidy would cut the cost of borrowing from about 18 per cent to about 10 per cent. The Government has set aside \$30 million for this purpose, which should support about \$130 million of new investment.

Some employers, in the fine traditions of the industry, will not take any interest in this subsidy. Neil Jones of ANI says: "We are not keen on putting our investment proposals up to the unions, who stuffed it up in the first place."

Other employers, particularly smaller ones with less-ready access to cheap offshore funds, are more likely to find the subsidy attractive.

Another Government reward for co-operative companies is assistance in improving labour flexibility and productivity. A retraining program is to be designed so that workers can master new technology and adapt to new work classifications.

The Government is offering an off-the-job training subsidy of up to \$125 a day for a maximum of 35 days, and an on-the-job training subsidy of up to \$100 for up to 26 days.

It is, of course, impossible to predict exactly how the industry will react, but it is encouraging that some companies who did not know the plan was in preparation have since come out of the woodwork to find out how to take part.

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AUSTRALIA

RURAL ROLE OF NATIONAL PARTY, FARMERS' FEDERATION ANALYZED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 29

[Article by Peter Hartcher]

[Text]

THE National Party, unlike its coalition partner, has stable leadership. Ian Sinclair is only the fifth Federal leader in the party's 67-year history. A party employee accounts for this phenomenon thus: "Most of our blokes are just not up to it intellectually to mount a leadership challenge."

"They are not very critical of leadership; a lot of our people are electorate-type people who spend a lot of time out in the field. They're just not interested in the Liberal Party-type power plays."

Stability is not just a feature of the party's leadership, it's also a remarkable aspect of the party's electoral appeal. Since 1949, its share of the primary Lower House vote has oscillated in the narrow band of 7.9 to 11.2 per cent. It has repeatedly defied mournful, and sometimes gleeful, predictions of its imminent demise.

This stability need not, of course, extend automatically to party members. In 1980, Michael Cobb, now a Federal MP, drank a diluted glass of the insecticide 2,4,5-T to demonstrate its harmlessness.

Perhaps it is the stability of the party, or perhaps its intellectual reputation, which leads Brian Costar and Dennis Woodward, in their book *Country to National*, to remark that the party has been "all but ignored by political scientists and historians alike".

They continue: "[The] relative failure of the National Party to attract more scholarly analysis remains perplexing. The party has certainly been most influential in Federal politics, where it

has often been indispensable for the formation of conservative governments ...

"Indeed, it could be argued that the National Party has greatly influenced the structure of the Australian economy through its ability to have enshrined as government policy compulsory marketing boards for primary industry, a system of supports and subsidies for the rural sector, and tariff protection for manufacturing industry."

The party also has the distinction of being one of only a handful of farm-based parties across the world which has survived as a political force. Only in Australia and Scandinavia have farm-based political parties lived through the 20th century.

In historical terms, the party is now at one of its strongest points. Its share of the vote at the last Federal election confounded most forecasts by increasing from 9.2 to 10.6 per cent, and the proportion of seats it held rose from 13.6 to 14.2 per cent.

And, with the profitability of Australian farms at its second-lowest point since World War II and a Labor Government in power, it could be expected that the party — conceived for and propelled by its protection of the sectoral interests of farmers — will grow in strength.

An academic at the Australian National University's Public Policy Institute, Dr R. Gerritsen, who is preparing a study of the political consequences of the farm downturn, comments: "I think the Nationals will be the beneficiaries of the new rural militancy because farmers don't have any alternative."

Ian Sinclair is trying so hard to give an appearance of robustness that he has lately taken to challenging Bob Hawke to an election at short notice. Even the National Party's own Federal director, Paul Davey, is prepared to admit this much is "political spiritism".

But Sinclair also proclaims publicly that he wants to swell the Nationals' Federal parliamentary representation from 26 to 40 members and senators. This aim, he says, is more likely now than ever before.

Says Sinclair: "I don't intend to specify the seats, but there are at least six seats I would be very disappointed if we didn't win at the next election." He also forecast that the party would gain an extra three or four senators.

Not only the Labor Party but also the Liberals treat this boast with enormous scepticism, describing them as electoral near-impossibilities. There are, indeed, established electoral patterns which indicate that Sinclair is being more than optimistic; more on this later.

Perhaps, more importantly, there are some changing circumstances, some new and possibly destabilising elements, which threaten this waxing influence and prosperity.

The two main elements converge in the shape of the National Farmers' Federation. The NFF has emerged as a powerful and well-supported representative of farming interests, rivaling the National Party as the voice of farmers.

The Federal secretary of the Labor Party, Bob McMullan, has watched the NFF's development closely, and says: "The NFF has undermined the National Party's authenticity as the natural representative of farmers."

The other chief influence of the NFF has been its role as a leader in defining the new terms of Australian economic debate, a debate which has made obsolete the Nationals' traditional patterns of thinking.

The NFF's deputy director, Rick Farley, said: "The whole tenor of the debate has changed across the political spectrum, as well as in the bush. The debate has become much more sophisticated, and it has become cross-party. It's no longer Labor versus conservative or Liberal versus National, it's become the economic rationalists versus the rest."

The NFF, formed only this decade and more vociferous in the last couple of years, is the Federal political arm of the farm lobby. It derives its income and its authority from its members — a broad network comprising the commodity councils and State-based farm groups.

It typifies the thrust of the new debate. It talks, not of the traditional farm demands of subsidies and special market intervention, but of free markets for labour and trade. In short, economic rationalism, tinged often with the political rhetoric of its president, Ian McLachlan.

It is the same rationalism, or "Dryness", which John Howard and Paul Keating have championed. The NFF's political rhetoric is equally apolitical, accusing Labor, Liberal and National parties of various sins at different times.

Farley says, and nobody will demur, that all three political parties are now nervous of the NFF. He counts that as a considerable success.

The NFF's real leverage lies in its threats about the next election. It has targeted 18 marginal rural or semi-rural seats — nine Labor, nine Coalition — where it intends to campaign. It promises to endorse one candidate in each electorate, not along party lines, but because of individual policy suitability. It is backed by a \$3 million "fighting fund" which it is trying to expand to \$10 million.

The Nationals, partly in response to the NFF threat, partly because of the general climate of economic debate, have radically overhauled their policy approach.

The "Wet", or interventionist, poli-

cies on which the party's economic achievements of the past 60 years were based — as listed by Costar and Woodward — have largely been ditched, although the existence of compulsory marketing boards is still defended. As witness to the party's new dry fervour, Sinclair says: "Our party's more rabidly anti-tariff than any in the Parliament."

The Nationals' nervousness about the NFF is borne out by National Party press releases which draw the closest possible parallels between the two groups.

It is exacerbated by the knowledge that the NFF's president, Ian McLachlan, is from South Australia, a State without a National Party. His father was president of the State Liberal Party and he sits alongside Liberal hero John Elliott — chairman of the pastoral and brewing conglomerate Elders IXL — as a director of the company.

The NFF is still not satisfied with the Nationals. Says Farley: "They are making a lot of the right noises, but we still haven't seen their final policy, and we haven't seen a legislative timetable to convince us they are capable of delivering."

Foretelling the electoral significance of the NFF is impossible — it will be their first involvement — but it seems highly likely that it will throw its weight behind conservative candidates rather than Labor. The key question is whether the conservative candidates it endorses will be Liberals or Nationals.

Even putting aside the NFF and the dawn of the age of economic rationalism, the National Party appears to have some very finite boundaries on its electoral future.

It has long been said that the party has a limited future because of the dwindling demographic significance of farmers and country-dwellers generally.

It is still widely believed that the party can only survive if it broadens its electoral base. Indeed, if the party had relied solely on the farm vote it would, by now, be extinct. There is not a single Federal electorate in which farmers form a majority.

The party has survived largely because of the symbiotic relationship between country towns and the farmers they serve.

But because of its acknowledged vulnerability to the country population base, the National Party has tried flirtations with the mining industry, and with city dwellers. Both flirtations set up tensions within the party, and both failed miserably. (The party's foray into Brisbane is a notable exception).

SO, what is its next strategy? According to Sinclair and Davey, the party's best prospects of winning new seats lie in the regional centres. Neither man will name the exact seats they have in mind.

The Liberals believe, however, that if there are many Labor seats set to fall to the Coalition, the Liberals will win the bulk. According to the Liberals, the maximum number of seats which the Nationals could hope to win is four, compared to the Sinclair expectation of at least six.

The Liberal argument has history on its side. If the Nationals won six new seats, they would control 18.2 per cent of members in the House of Representatives; their best performance so far since World War II was 18.1 per cent.

In addition, the party's stronghold of Queensland will soon face an election where, according to the vast majority of predictions, its strength will be eroded.

In short, the party may have some room to expand its influence in Federal politics, but its historical stability, combined with the possible hostility of the NFF, seems to limit it to only the tiniest of increases.

A professorial fellow in political science at the ANU, Colin A. Hughes, in a paper on the National Party's prospects of attracting more of the conservative vote, concluded: "Demography has generally been on the side of the Liberals. Up to the 1980s, urban areas grew at the expense of rural; but Queensland and NSW now show that National Party constituencies can increase enrolment with the best of them and urban growth need not be fatal ...

"Answers cannot be found in demographic variables, but in the personality and local popularity of candidates, the effectiveness of State-level leaders, and thus at a micro-level of political explanation that is rarely available in Australia."

AUSTRALIA

PAPER'S QUARTERLY ECONOMIC UPDATE 'GLOOMY' FOR GOVERNMENT

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 pp 40, 36

[Article by Peter Freeman: "Hard Times Make It Time for Hard Line"]

[Text]

At no time since the Hawke Government won power more than three years ago has it been faced with such a seemingly endless series of bad economic news as that of the past three months.

As the accompanying graphs dramatically demonstrate, consumer confidence has slumped and spending on cars, retail goods and new houses has been cut heavily.

This appears to be a direct result of skyrocketing consumer interest rates, public concern on the weakness of the Australian dollar and worries about job losses.

Equally disturbing is the continued failure of most companies to lift investment spending and surveys suggesting this cautious approach is likely to continue.

In line with this gloomy situation Australia's two leading economic indices, which act as important pointers to future economic activity, have fallen heavily in the past six months, with only one now showing signs of levelling out.

Virtually the only bright spot for the economy has been this week's refusal by the Arbitration Commission to make the proposed 3 per cent superannuation payment mandatory on companies.

By linking this decision firmly with the serious slide in Australia's terms of trade — the amount received for our exports compared with what we pay for imports — the commission has added its weight to the concern over the fundamental problem confronting the country.

With our exports worth less and imports costing more, the overall

wealth of Australia has suffered a setback. Something has had to give.

To date, the brunt of this blow has been taken by the Australian dollar. As the current account deficit, fuelled by skyrocketing interest payments on foreign debt, heads for a record \$14 billion in 1985-86, the dollar shows every sign of falling further.

Such a development would have serious inflationary consequences at a time when Australia's 9.2 per cent inflation rate already is about three times that of other Organisation for Economic Co-operation and Development countries.

The only way inflation can be brought down significantly while the dollar is under pressure is through wage restraint even greater than that of the past three to four years.

But many unions are understandably suspicious of the widespread call for wage restraint which preceded the latest Arbitration Commission superannuation decision. Instead they want evidence that the corporate sector will tighten its financial belt.

This situation is posing serious problems for the Hawke Government as it abandons its previously conciliatory approach to wage negotiations and pushes hard for restraint — including the possibility of abandoning holiday loadings and delaying future wage increases.

While the ACTU's Simon Crean and Bill Kelly may be sympathetic to this approach, and fully recognise the severe economic difficulties facing the economy, their ability to

deliver widespread union co-operation is limited.

Similar difficulties confront the Government in winning backbench and rank-and-file Labor Party support for tough Budget cuts. Such cuts are essential to underpin efforts to continue to relax monetary policy and so bring down interest rates.

If major cuts are not made — and the likelihood is that they won't be — the Federal Government will not only continue as a heavy borrower, but confidence in the foreign exchange market will be undermined further.

And it is business and consumer confidence which holds one of the most important keys to preventing the downturn from becoming a full-scale recession. The other key is a recovery in international mineral or agricultural prices.

This would have major positive impact on Australia's current deficit and reduce pressure on the dollar — two developments which would increase greatly the scope for maintaining economic growth without cutting heavily into the purchasing power (and so physical standard of living) of Australian workers.

The importance of these two developments is seen in a string of bad economic statistics and business surveys in the past three months.

The latest, and most dramatic, figures to be issued cover retail sales. As the graph highlights, these have slumped, with retailers reporting only a very marginal

recovery, fuelled by a series of store sales, in the past three or four weeks.

This drop in retail sales partly reflects a jump in the price of imports, due to a delayed response to last year's dollar slide, and so is part of the Federal Government's strategy of reining in imports in an effort to bring the current account deficit under control.

But the hope that domestic products will take advantage of their price competitiveness to win a bigger share of the market is being borne out only in a narrow range of cases. This is because the dismantling of the manufacturing sector in the past 10 years means there is often no local substitute for the imported product.

And even in those cases, such as whitegoods, where local manufacturers have benefited from the weaker dollar, demand has fallen in line with the drop in retail sales.

The car industry also is having problems, with the jump in April sales unlikely to lead to a new upward trend in coming months. Overall, a combination of higher prices and the fringe benefits tax is likely to result in a 25 to 30 per cent drop in sales in 1986.

The one bright aspect is that sales of local cars appear to be holding up better than imports, thanks to their exchange rate-induced price advantage. Accurate figures are not available, however.

As for housing, approvals for new houses and home units are continuing to fall sharply. If this trend continues it will have major

consequences for employment and, in the longer term, for sales of household goods.

While hope that the slide will level has been sparked by a jump in home loans from the savings banks in April, such optimism almost certainly is premature.

This is because the big increase, which saw the amount advanced by the savings banks go to just over \$550 million in April, compared with about \$350 million the previous month, largely reflected the lending delays while the banks battled to win deregulation of the 13.5 per cent home-loan ceiling.

As well, it is not yet clear how much of the new lending is going into established dwellings. While building products group, James Hardie Industries, has reported some recovery since the slowdown at the start of the year it is probably too early to assess housing construction in the next six months.

Possibly of even greater importance is the continued low level of business investment. According to the latest figures, outlay on new plant and equipment in the March quarter was lower than the already unimpressive level of spending for the same quarter last year.

The failure of many companies to embark on major investment programs in the past three years, despite strong growth in the economy, has been a major stumbling block for the Govern-

ment's economic strategy.

A recent Westpac/Confederation of Australian Industry survey suggested business confidence remained low and an investment pick-up was unlikely. A similar survey by the NSW Chamber of Manufactures also painted a discouraging picture.

Battered by high interest rates, uncertain about the risk of a wage breakout from the Accord, and wary of Labor's Left, many corporate executives continue to play it safe, blaming economic uncertainty for their investment caution.

As well, companies long accustomed to a combination of high levels of protection and a strong inflow of migrants have had difficulty coming to terms with lower tariffs and financial deregulation.

Possibly the most fundamental question raised by Australia's present economic problems is whether local manufacturers will ever be in a position to compete vigorously with a wide range of overseas competitors, many of whom either have large home markets, extremely cheap labour, or both.

If Australia's terms of trade do not recover quickly, there may be increasing pressure, both from within the Labor Party and from sectors of business, to reverse the long-running program of dismantling protection.

AUSTRALIA

U.S. INVESTMENT FIRM'S ECONOMIC POLICY ENDORSEMENT LAUDED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 40

[Article by Ian Cassie]

[Text]

The US investment bank Salomon Brothers Inc has strongly endorsed our economic policy, confounding local fears that overseas investors may dump Australian dollar investments.

In a report issued after the close of US trading on Thursday (Friday morning AEST), Salomons advised US investors not to sell Australian bonds. Salomons' stated view is that this week's slide was based on rumour, rather than the appropriateness of economic policy.

In contrast to the current view in the local foreign exchange market, Salomons say that no further exchange rate depreciation is needed to improve competitiveness. The report viewed favourably the outcomes of the national wage case and the Premiers' Conference which, combined with expected monetary policy, are expected by Salomons to stabilise the Australian dollar at its current level.

The local foreign exchange market traded nervously in a narrow range on Friday, closing

MONEY

Overnight cash	16.50
90 day Bank Bills	14.90
10 year bonds	12.87

unchanged from Thursday at US67.1c. Since the US dollar weakened slightly on the day, the Australian dollar fell a little against other currencies. The overall result was a fall in the Reserve Bank trade-weighted index from 56.3 to 56.2.

Foreign exchange dealers and their corporate customers remain short of Australian dollars, however. And, although overseas markets seldom trade Australian dollars on Fridays, the report should lend support to the currency.

Since the forward rate on the Australian dollar (the rate at which Australian dollars can be bought for delivery at future dates) is lower than the current rate, it costs dealers money to maintain short positions. So the longer the dollar remains at its current level, the more likely it becomes that dealers and their corporate customers will buy back

dollars, pushing the exchange rate back up.

With little overseas activity on Thursday night, bond markets also marked time. The yield on November 1996 stock drifted up to close at 12.87 per cent, from 12.8 per cent on Thursday, in quiet trading.

Fears of tight conditions, ahead of June 30, again pushed up cash and bank bill rates. The overnight cash rate on the unofficial market rose from 15.5 per cent on Thursday to average around 16.5 per cent yesterday, despite apparent Reserve Bank efforts to ease cash.

The banking system was in surplus yesterday by \$150 million and, although the Reserve Bank sold Treasury notes, dealers say it did not sell enough to soak up the excess.

The yield on 90-day bank bills rose sharply in the morning, peaking at 15.1 per cent, reflecting the cost of cash, as well as rollovers of stock. In the afternoon, falling cash rates were reflected in falling yields, with 90-day bills closing at 14.9 per cent, from 14.85 per cent on Thursday.

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INDONESIA

SUHARTO MEETS WITH SGS EXECUTIVES

Jakarta ANTARA NEWS BULLETIN in English 3 Jun 86 p A5

[Text]

Jakarta, June 3 (ANTARA).-- President Soeharto Tuesday stressed that the Indonesian government would continue to collaborate with the Societe Generale de Surveillance (SGS) in import goods examination, but the surveyor firm should step up its supervision in certain countries of origin of the imported goods.

This was pointed out by the Head of State to three SGS executives, respectively Marc Andre Chargueraud (chairman of SGS, Geneva), G.J. Kneubuehler (executive president) and Wareham (SGS representative in Jakarta).

For more than half an hour the President and the SGS executives discussed the one-year implementation of Inpres (Presidential Instruction) No. 4/1985, including the efforts to safeguard and to prevent abuse of facilities which go with the Presidential instruction.

The SGS executives came to Bina Graha in connection with the Indonesian government's determination to act firmly against smugglers who abused the facilities provided in Presidential Instruction (Inpres) No. 4 of 1985. The SGS has a surveyor's role in the implementation of the instruction which was meant to smoothen the flow of imports.

Marc Andre Chargueraud told newsmen afterward that in the first year of the implementation of the Inpres, the flow of goods at the ports had become more smooth.

In addition, the implementation of the Inpres had also led to increase in government revenue from import duty.

He disclosed that up to now SGS has handled about 110,000 verification reports which were required before the entry of imported goods to Indonesia.

Replying to questions, Chargueraud admitted that there had been violations against the stipulations of Inpres No.4 in the implementation of imports into Indonesia. But he added that the volume is quite small compared with the total volume of imports (as well documents) handled.

He said SGS would cooperate with the Indonesian government to suppress the violations.

He said he appreciated highly the Indonesian government's determination to eradicate smuggling through violations of the provisions of Iepres No.4.

He promised that the company would also heighten control over its own personnel in this connection.

On the basis of a three-year contract, the Indonesian government uses the SGS to examine goods imported from other countries to Indonesia.

The SGS executives met with the President in the company of Trade Minister Rachmat Saleh.

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CSO: 4200/1218

INDONESIA

GOVERNOR SAYS TRANSMIGRATION IMPROVES WELFARE OF IRIANESE

Jakarta ANTARA NEWS BULLETIN in English 4 Jun 86 p A5

[Text] Jayapura, June 4 (ANTARA)--Irian Jaya Governor Izaak Hindom has stated that the resettlement of transmigrants in Irian Jaya has improved the welfare of native inhabitants of the province.

The governor made the remark when he received Secretary General of the Transmigration Department C.I. Santoso at his office here Monday night.

Transmigrants who occupy resettlement centres in Irian Jaya can accustom themselves to the condition of areas around their new villages, according to Hindom.

"They have been able to fulfil themselves basic necessities they need after occupying resettlement centres for six months," the governor said further.

Various kinds of plants grown by transmigrants in Irian Jaya can grow well because the transmigration centres are located in fertile land, he pointed out.

He expressed the hope that transmigrants resettled in Irian Jaya, particularly in Jayapura and Manokwari regencies, would grow not only food plants but also plantation commodities such as oil palm.

In this connection, he said one of state-run estate companies, PTP-II, had developed oil palm estates in Jayapura and Manokwari regencies.

The expansion of oil palm estates has a positive impact on the livelihood of transmigrants and native inhabitants as the handling of plantations created jobs for people in the surrounding areas, he explained.

Apart from that, transmigrants or native inhabitants who grow oil palm on their land will be able to enjoy proper income by selling their oil palm fruits and kernel to the estate company, he added.

Secretary General of the Transmigration Department, C.I. Santoso, who was previously commanded of the Cenderawasih Military Territorial Command in the Irian Jaya province, was then making a three-day visit to the province.

During the three-day visit he inspected transmigration centres in Koya Barat and Koya Timur. Transmigrants in those two resettlement centres are expected to enjoy big harvest in the coming harvest season this year.

INDONESIA

SUHARTO CALLS FOR DIVERSIFICATION OF PEOPLE'S DIET

Jakarta BUSINESS NEWS in English 6 Jun 86 p 9

[Text]

The diversification of people's diet must be intensified to secure the maintenance of self sufficiency in rice till the year 2000, President Soeharto stated at a cabinet session on economic, financial and industrial affairs at Bina Graha here Wednesday.

Minister of Information Harmoko told reporters after the cabinet session that the meeting discussed the demand for rice till the year 2000. The President gave directives to the meeting that the realization of intensification and extensification programs on paddy planting should be stepped up to cope with the rising demand for this main food-stuff in the country.

The Head of Government called for the prevention of food shortage because the target of national development included self sufficiency in food and clothing and the procurement of housing facilities.

With rice production of about 26.5 million tons in 1985 Indonesia has been self sufficient in rice, Harmoko pointed out. Concerning the projection of rice production, he disclosed the target was 29.8 million tons in 1990, 33.6 million tons in 1995 and 37.3 million tons in the year 2000.

Despite the growth of rice production, the diversification of people's diet will be increasingly important in the coming years because the domestic consumption of rice increases by an average 2.4% a year. Therefore, it is necessary to continue intensification and extensification programs.

For areas which consume sago or corn as the main foodstuff, the supply of protein should be given greater attention, the Head of State revealed.

The estimate that the demand for rice will grow by an average of 2.4% a year till the year 2000 has been made based on the assumption that the population growth rate will reach 2% a year up to the year 2000, Harmoko explained, adding that people's income was expected to grow by an average of 4% a year.

The President expressed confidence at the meeting that the growth of the rice consumption could be limited providing the diversification of people's diet could be intensified in the coming years.

If the per capita consumption of rice can be maintained at the present level of about 135 kg/year, the increase of rice consumption can be limited at 2% a year. This means that the rise of rice consumption is as high as the population growth rate.

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CSO: 4200/1218

INDONESIA

MORE BUSINESS SECTORS OPEN FOR INVESTMENT IN 1986

Jakarta BUSINESS NEWS in English 6 Jun 86 p 6

[Text]

Chairman of the Investment Coordinating Board (BKPM) Ginanjar Kartasasmita has stated that 1,354 business fields open to new investments are found in the 1986 Priority Rating List (DSP) compared with 1,284 fields in the 1985 DSP.

Based on the 1986 DSP only 75 business fields are closed to new investments, whereas the 1985 DSP contained 179 fields closed to new investments.

The 1,354 business fields open to new investments in the 1986 DSP comprise 926 fields for foreign/joint venture (PMA) investments, 191 fields for domestic (PMDN) investments and 237 fields for non-PMA/non-PMDN investments.

PMDN investments can also be made in business fields open to PMA investments and non-PMA/non-PMDN investments are also allowed in fields open to PMDN and PMA investments. Thus in fact 1,117 fields are open to PMDN investments and 1,354 fields open to non-PMA/non-PMDN investments.

Based on the 1985 DSP, only 475 fields were open to new PMA investments & 1,284 fields (including fields open to PMA and PMDN investments) were open to non-PMA/non-PMDN investments.

A lot of fields used to be closed to new investments are open to investments in the 1986 DSP. Requirements for new investments are loosened in the 1986 DSP, especially requirements which have so far hampered the development of the investment sector.

The May 6 Policy Package just issued by the government mentions among other things that all business fields based on the DSP closed to PMA investments, PMDN investments or non-PMA/PMDN investments can be opened to all forms of investments providing the investments are oriented to export, which means that at least 85% of the products are provided for export.

Investors can enjoy fiscal facilities in the form of, among others, the reduction of or the exemption from import duty the imports of machinery/equipment and spareparts required for production. The import duty exemption/reduction is granted for not more than 2 years.

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CSO: 4200/1218

INDONESIA

BRIEFS

COUNTER-PURCHASE TRADE EXPANSION--Jakarta, May 29 (ANTARA)--Indonesia will continue to expand its counter-purchase trade as one of the efforts to weather its economic difficulties lately triggered by falling oil prices, spokesman for the trade ministry Hamonangan Panu said Thursday. He said the number of counter-purchase contracts with various countries keeps on increasing. Since Government Regulation No 1/1982 was launched, the counter-purchase contracts which have been signed, has until end-April 1986 reached a total value of US\$1,525 million, involving some 23 countries. Those countries are Japan, the United States, West Germany, Singapore, the Netherlands, Canada, South Korea, Britain, Rumania, France, Hongkong, East Germany, Sweden, Belgium, Australia, Malaysia, Austria, Panama, Mexico, Yugoslavia, Italy, Switzerland and Poland. Many countries at first opposed to the enforcement of this government's policy, such as the United States and Japan, but after they were given explanation by Indonesian officials, finally they could understand. "Even Japan is now the second biggest in counter-purchase trade with Indonesia, while the U.S. ranks fourth," he said. Among the 23 countries that do counter-purchase trade with Indonesia, West Germany ranked first with a value of US\$382.94 million, followed by Japan US\$295.29 million, Canada, 213.61 million, the U.S. US\$114.38 million and Singapore US\$88.88 million. [Text] [Jakarta ANTARA NEWS BULLETIN in English 29 May 86 p A1] /9317

PERTAMINA MEETS DOMESTIC OIL NEEDS--Medan, May 30 (ANTARA)--Pertamina has been able to meet the domestic demand of oil so that there is no need to import it. The quality of Pertamina oil is as high as the imported oil, some are even better. Abdul Rahman Ramly, president director of Pertamina state oil company stated this here Thursday in Pangkalan Brandan to newsmen following the installation of the North Sumatera Pertamina chief. Indonesia, Ramly said, has stopped the import of oil for domestic demand and so far there is no complaint from the consumers concerning the quality for the stock. However, he conceded Pertamina does not produce special oil for military purpose so that such oil still had to be imported. Speaking about the imported oil which can still be found in the market, the president director of Pertamina said they must have entered the country illegally. Since the government issued a regulation on the provision of oil which is single handedly managed by Pertamina in 1983, the import of oil has been completely stopped. Some people are still too fond of imported oil, and through various illegal ways oil is still purchased from abroad.

Ramly also conceded he has received reports about the mixing of Pertamina's Premium fuel with other substances that lowers its quality. Fortunately, such a case does not take place in all regions, he said. [Text] [Jakarta ANTARA NEWS BULLETIN in English 31 May 86 p A1] /9317

INCREASED AUSTRALIAN MINING INVESTMENT--Jakarta, June 5 (ANTARA)--Australia is preparing to increase its investments in the mining sector in Indonesia, mainly coal gold and other minerals. The Australian Trade Commissioner's Office in Jakarta in its explanations Thursday said that to show their interest, 20 Australian companies exhibited their equipment and services in the recent mining exhibition held at the Jakarta Fair Grounds from May 6 through 10, 1986. The exhibitors reported at the end of the exhibition to have sales under negotiation worth more than US\$11 million. Australia which is the largest coal exporter in the world, is at present operating in Indonesia to carry out exploration activities, among others in Kalimantan and Sumatera. Australia's biggest company, B.H.P., has two coal mining contracts of work in Kalimantan through its subsidiaries, PT Arutmin and PT Utah. PT Arutmin has mined 60,000 tons of trial shipment of coal and plans to develop a large mine when markets for the coal can be assured. Another Australian company, C.R.A., is a partner in PT Katim Prima which has discovered a large deposit of high grade coal in East Kalimantan. The company is conducting preliminary studies for export possibilities. Allied Queensland Coal and Transfield Pty Ltd, both from Australia, in collaboration with PT Mitra Abad Sakti are developing a coal deposit at Parambanan in West Sumatera which should produce over 500,000 tons per year. They are developing this mine under an agreement with the PN Tambang Batubaba state coal company. A number of other Australian companies are active in gold exploration and mining and nine contracts of work have been signed with the Indonesian government in February 1985. [Text] [Jakarta ANTARA NEWS BULLETIN in English 5 Jun 86 p A4] /9317

BANK CREDIT FOR FOREIGN COMPANIES--Jakarta, June 5 (ANTARA)--To raise interest in capital investment and to encourage the purchase of company shares by private Indonesian businessmen, Bank Indonesia on June 4 announced a decree allowing foreign capital investment companies (MPA) to get credits from Indonesian government banks. On the basis of the decree, government banks including BAPINDO (Indonesian Development Bank) may now give working capital credits on a short term of PMA companies in Indonesia which operate under Law No 1 of 1967 on foreign capital investments. The number of such companies which may now ask for credits from Indonesian government banks will be decided on by BKPM (Capital Investment Coordinating Board). To qualify a foreign investment company for obtaining the short-term working capital credit, should have sold 75 percent of its equity shares to the state and/or to private Indonesian nationals, or 15 percent of its equity share had been sold to the public through the capital market. In other cases, at least 51 percent of its equity shares are now owned by the state and/or private Indonesian nationals or it has already offered at least 20 percent of its shares to the public through the capital market. Further details on the decree are contained in Circular of Bank Indonesia (the central bank) No 19 dated June 4. [Text] [Jakarta ANTARA NEWS BULLETIN in English 5 Jun 86 p A5] /9317

CSO: 4200/1218

PHILIPPINES

MANILA TIMES EXAMINES PHILIPPINE-AMERICAN FRIENDSHIP DAY

HK080941 Manila THE MANILA TIMES in English 4 Jul 86 p 4

[Editorial: "Fourth of July"]

[Text] Since the American occupation of the Philippines at the turn of the century, the Fourth of July has a traditional non-working holiday. From 1989 to 1941, it was celebrated as American Independence Day, then in 1946, it became Philippine Independence day. In 1961, President Diosdado Macapagal changed the date of Philippine Independence from 4 July to 12 June, but continued the tradition of celebrating the Fourth of July as a non-working holiday by making it Philippine-American Friendship Day.

So the Fourth of July in the Philippines has undergone three transitions: As American Independence Day, and now, Philippine-American Friendship Day.

We see nothing wrong in celebrating a Philippine-American Friendship Day and July Fourth is a fitting day for occasion. Our only observation is that it should not be a non-working holiday. Philippine-American Day should be a day celebrated the way Dia de la Hispanidad [Hispanic Day] is commemorated.

American Independence Day influenced the country's fight for independence against Spain. American independence antedated the French Revolution, and it was the precedent that inspired the liberation of Latin America, which in turn inspired the Philippine revolution against Spain.

Malacanang should set up a committee to restudy all legal Philippine holidays. Araw ng Kagitingan [Heroes Day] should be celebrated during the birthday of Jose Abad Santos. Philippine-American Friendship Day should be preserved, but modified to a working holiday.

In the United States, this year's Fourth of July celebration will be highlighted by the unveiling of the refurbished Statue of Liberty. That celebration could be interpreted as a sort of French-American Friendship Day.

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CSO: 4200/1203

PHILIPPINES

PHILIPPINE-AMERICAN FRIENDSHIP DAY 'ABERRATION'

HK080938 Manila THE MANILA EVENING POST in English 4 Jul 86 p 4

[Editorial: "Philippine-American Friendship"]

[Text] For a number of years after the war, Filipinos celebrated their day of independence on 4 July. Postwar leaders believed that by observing Philippine Independence Day on the same day as the United States did, we would eventually become Little America. We were, after all, their glorious "showcase of American democracy" in this part of the globe.

But as a showcase, we had to accept "parity" but no reciprocity. American military facilities flooded our land and up to the present are still around to remind us that this country may again become a battlefield, but this time in a devastating nuclear war not of our own making. American goods and American products are ready to flood our markets, all in the name of liberalization.

As a faithful ally of the United States, to paraphrase the late Don Claro M. Recto, we followed her from the deserts of Israel to the jungles of Vietnam; from the cold mountains of Korea to the waters of Formosa Straits. And in the United Nations, we were always the junior partner.

But in return, what did we get from the United States? A meager \$900 million blood money for two nuclear-packed military facilities; and, they won't even call it rent, which it is. We also get visits from a Solarz or a Shultz together with his dogs. Sometimes we also hear patronizing sermons from their pro-consul Stephen Bosworth, not to mention the political officers who frequent universities and government research centers.

And, of course, the United States denies loudly that they interfere in Philippine domestic political affairs. After all, they never "interfered" in Iran, Vietnam, Chile, and now Nicaragua and El Salvador. Why can't Filipinos be convinced that Americans are not interventionists? That they are only interested in our welfare?

After all has been said and done, why do we honor Philippine-American Friendship Day? What significance does it have for Filipinos? If there is anything to be expunged from Philippine history books, it is this historical aberration.

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PHILIPPINES

'SPECIALNESS' OF RELATIONS WITH U.S. QUESTIONED

HK080918 Manila PHILIPPINE DAILY INQUIRER in English 4 Jul 86 p 4

["Opinion" column by Danilo-Luis M. Mariano: "Shattering the Myth"]

[Text] When Malacanang announced the other day that the country will still commemorate Philippine-American Friendship Day, it added—quickly—that the holiday will be observed only "by virtue of existing laws." You could immediately sense that the Aquino administration was not too keen about a public festival which only dramatizes the degrading obsequiousness of certain Filipinos to the Yankee super-power. You could also read between the lines that if only the law were not in force, it would have had "Phil-Am Day" struck off the official calendar. As if to confirm the impression, the Guest House yesterday announced that no official activity has been lined up for the president. Like many of us, she'll be taking the day off for some much-needed rest. Unlike the deposed president, Ms Aquino has obviously no plan to perpetuate the myth of "special relations" between the Philippines and the United States. She's the first post-war leader of this country who has finally managed to appreciate RP [Republic of the Philippines]-U.S. ties from a more realistic, down-to-earth angle. And reasons for such realism are compelling.

For one, we're special to the United States only for as long as we permit the presence of American military facilities on Philippine soil. Without those bases, we would quickly drop in Washington's order of priorities—to, the level say, of Gabon or Nepal.

For another, we're the only country in the world that insists on celebrating its "friendship" with another and making a public holiday out of it. Not even the so-called satellites behind the so-called Iron Curtain display such slavishness for the Soviet Union—not publicly, anyway. No self-respecting nation, if it is to be truly worthy of its place in the community of independent nations, has been willing to stoop so low—except the Republic of the Philippines.

From the Americans we have nothing to be thankful for. For every favor or grant of aid that Washington has somehow decided to toss our way, the Americans took with them an equal, if not greater, measure of political, economic, diplomatic and military advantage from us.

To be sure, maintaining cordial relations with the United States--if they are handled with dignity and a substantial dose of pragmatism--can work to the advantage of the Philippines. Lest we be misunderstood, we have nothing against the Americans as a people, they are without doubt a great nation. But the time has come for us to shed off all this nonsense about the "specialness" of RP-U.S. ties. And only by asserting our sovereignty, our independence--and not as one of a dozen American client-states--can we do that. The problem really is ours.

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CSO: 4200/1203

PHILIPPINES

EDITORIAL SEES TRADEOFFS IN AQUINO'S U.S. VISIT

HK080753 Manila THE MANILA EVENING POST in English 5 Jul 86 p 4

["Editorial: "The Forthcoming Visit"]

[Text] Now it can be told. President Aquino is visiting the United States on 17 September on invitation of the American President. While there, she will address the United States Congress. To make it more significant, the trip was announced on 4 July, the American Independence Day and the increasingly meaningless Philippine-American Friendship Day.

It will of course be a proud occasion for the American Government. Here is a Philippine president once more, Exhibit A of the American's "showpiece of democracy." The Philippines will be displayed in contrast to a Cuba or a Nicaragua.

But one only recalls 20 years ago when President Marcos was newly elected and set out on a first trip to the United States. He also delivered a speech, from memory, to the American Congress. He was wine and dined in Washington, D.C. He was, in the words of the late President Johnson, "my boy."

This was at the height of America's war in Vietnam and America badly needed allies then. The Philippines was ever ready to provide the supporting role. At a SEATO summit in Manila, Lyndon Johnson tried to orchestrate the regional politics of the Vietnam war. Once more, President Marcos was acclaimed by the Americans for being the ever faithful ally of the United States. In the end, the Americans lost in Vietnam and they had to leave, in ignominy, from the rooftop of their Saigon embassy.

Now it is President Aquino's turn. The magnanimous Americans, with their aid and their grants, are eager to welcome their latest "pet."

What instructions will they give? That the military facilities will remain in the Philippines beyond year 2000? That import liberalization be accepted meekly by Filipino manufacturers? That Mrs Aquino should be ever grateful to them? What are the tradeoffs?

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CSO: 4200/1203

PHILIPPINES

U.S. MILITARY BASES TERMED MAJOR ISSUE

HK080723 Manila THE MANILA CHRONICLE in English 5 Jul 86 p 2

[Text] Angeles City--The U.S. military complex here, far-off hub for a far-flung Pentagon network, is becoming a battleground in the political wars of the new Philippines.

Both the administration of U.S. President Ronald Reagan and President Corazon Aquino have sought to play down questions about the future of sprawling Clark Air Base in Angeles City and the big, versatile U.S. Navy base at Subic Bay, 30 miles southwest of here.

But recent interviews with politicians, diplomats, military men and others in Manila and elsewhere indicate the issue of whether the Philippines should extend the life of the bases beyond 1991 could ignite quickly into a major dispute.

Promises J.V. Bautista, a leading anti-bases leftist: "It is going to be one of the major flashpoints in the days to come.

Filipinos are quickly taking sides--including delegates writing a new constitution, columnists in Manila's lively newspapers and communist guerrillas in the embattled countryside, who have made dismantling U.S. facilities a major demand in planned peace talks with the Aquino government.

But since taking over from the deposed Ferdinand Marcos last February, Mrs Aquino herself has sounded neutral on the issue and many here believe in the end it will be a straight business deal.

The bases will be extended in exchange for a huge increase in U.S. payments to the Philippines.

"Shutting down the bases would have a significant economic impact on the Philippines," noted Clark Air Base's policy officer, Colonel James Cozza. "In an economically troubled nation the president would have to keep that in mind."

Although some critics disagree, Pentagon strategists unanimously describe Clark and Subic--the biggest American military complex outside the United States--as vital to U.S. security interests.

The bases' runways and docks are just a few air hours or sea days from Japan and Korea, U.S. Pacific possessions, Australia and the "chokepoint" straits through which tankers carry Persian Gulf oil to East Asia.

Subic Naval Base is a key waystation for the 40 or more U.S. Navy vessels normally deployed in the Western Pacific.

Fifty miles northwest of Manila, the great deep-water harbor at Subic, rimmed by jungled hills, usually shelters a dozen or so Seventh Fleet warships taking on provisions or undergoing maintenance.

Subic has large beach areas for marine amphibious training, shoals for naval gunnery practice and a naval air station that averages 400 takeoffs and landings a day, including the flights of navy P-3 Orion reconnaissance planes that track submarine and other Soviet activity in the region.

The 1991 deadline gives the Manila Government "a real bargaining clout with the United States," said Blas Ople, former labor minister.

Mrs Aquino herself says she is "keeping my options open." But she is wielding a level of her own by favoring a national referendum on whatever agreement emerges from U.S.-Philippine negotiations.

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PHILIPPINES

GOVERNMENT, SABAH TO SIGN JOINT VENTURE AGREEMENT

HK090411 Manila MANILA BULLETIN in English 8 Jul 86 p 12

[By Mike Alunan]

[Text] The Philippine Government and the state of Sabah will sign an agreement today for a package of promising trade and other joint-venture projects.

Philip Juico, assistant minister for agriculture and food, told newsmen yesterday that the "Memorandum of Understanding" will be signed by a representative from the government and Jeffrey Kitingan, chairman of the Sabah Foundation.

Kitingan, who is considered to be a powerful tycoon in Sabah, is a brother of Sabah's Chief Minister Joseph Kitingan.

Juico said that Kitingan, who attended the recently-concluded 20th council meeting of the Southeast Asian Lumber Producers Association (SEALPA) earlier agreed that the Philippines will not have to infuse any equity investments.

Kitingan has already met recently with President Corazon Aquino and Agriculture and Food Minister Ramon V. Mitra Jr.

"Our sole investment will be on manpower and technical expertise," Juico said adding that Sabah will shoulder the necessary equipment and other expenses needed.

One of the joint-venture projects is deep-sea fishing in Sabah waters, wherein Philippine private sector trawlers will be used in fishing activity.

The barter trade will also be legalized with Brookspoint in Palawan and Labuan in Sabah, Malaysia to be designated as trading ports.

Juico added that another significant joint-venture project is a leather and shoe-making industry. It was learned from the Sabah businessman that the hides of cows, carabaos, and other animals are just thrown away in Sabah after they are slaughtered.

Also of interest is a rattan industry project. The country could import rattan massively owing to Sabah's abundant resources, thus stabilizing the supply of rattan poles needed by the local furniture industry.

In return, the Philippines team offered to help Sabah develop its own agro-forestry projects as it now needs to replenish its rapidly vanishing stocks.

Juico also cited a joint-project in the poultry and livestock industry.

He stressed that all these joint-ventures will also help generate employment for Filipinos, particularly the skilled workers, considering that Sabah only has a population of only 1.3 million about 250,000 of which are Filipino refugees who migrated at the height of the Moro National Liberation Front (MNLF) rebellion a decade ago.

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PHILIPPINES

ENRILE RESIGNS COCONUT BANK CHAIRMANSHIP

HK020303 Quezon City BUSINESS DAY in English 1 Jul 86 p 14

[By Noel D. de Luna]

[Text] After leading the military rebellion that led to the overthrow of the Marcos regime, Defense Minister Juan Ponce Enrile yesterday took his second biggest political gamble when he resigned from the chairmanship of the United Coconut Planters Bank [UCPB].

He declined three nominations, including one by the Presidential Commission on Good Government [PCGG] which sequestered 94.6 percent of the bank's total outstanding capital stock.

Relaxed all throughout as he presided over the UCPB general meeting, he was viewed as having displayed political brilliance, having allied himself with coconut farmers who felt, rightly or wrongly, that the government had cheated them of their rights.

The PCGG, which installed an entirely new 15-man UCPB board, may have planted a seed of destruction. Coconut farmers who came from as far as Tuguegarao and Zamboanga walked out in disgust, shouting "rebolusyon" [revolution] all the way.

The venue of the stockholders' meeting, the Makati Sports Club was surrounded by anti-riot troops.

The hatred for the PCGG was displayed when commissioner Ramon Diaz was heckled everytime he called in the PCGG nominees.

As soon as Enrile announced his irrevocable decision to leave the bank, the PCGG nominated Renato Onico to the board.

UCPB President Danilo Ursua also declined nomination to the board as part of a slate recommended by a representative from Davao. He also tendered his resignation as bank president.

UCPB's treasurer Francis Gaston and Controller Amado Mamuric were reportedly the first feelers for a resignation from the management team headed by Ursua after the stormy meeting was adjourned.

Irate farmers, as they left the jam-packed sports club, were calling for withdrawal of deposits from UCPB first thing today.

Asked whether the bank could withstand a nationwide bank run, a UCPB lawyer replied with smile, "Don't ask me, because I'm resigning as well. The bank's still sound but I don't know what will happen tomorrow."

Deposits in UCPB are estimated at P9.4 billion. Total assets are P13.92 billion.

BUSINESS DAY sources said other bank officials are being pressured by the PCGG to stay on the management team to avert a financial crisis. However, they said that since it would be best to let the government handle the bank as it sees fit, then the government could take care of the bank even without the core of the management team.

Political analysts said Enrile knew very well that if he resigned and took the key officers out with him, UCPB could be endangered.

In his resignation speech, Enrile was emphatic in saying, "It's about time we let the government, the PCGG, or anybody for that matter to take over the bank, to look into its records so that their families (his and those of others who resigned) may be spared from any accusation" that they robbed the bank.

"It is best that I, who has been the object of attention, must sever any connection with the bank; that there are others who are better qualified. I'm sure that who will come are equally motivated to protect the interests of the farmers," he said.

The PCGG tried to explain to the farmers that it sought to protect the interests of the people, but some of the farmer-stockholders of the bank believed that the PCGG denied them due process.

They argued that, based on the Freedom Constitution, the PCGG should notify the farmers, and not the bank, that it was sequestering their shareholdings.

Rene Espina, Unido secretary general and critic of the Aquino government, said "there is no legal basis for sequestering (the farmers' shares) and the sequestration is only fit for a dictatorial regime."

PCGG Commissioner Raul Daza, peeved by the remark, said "Espina was hasty in making his statement. The fact that Espina is here and speaks and is not put into custody speaks that the government is not dictatorial."

Coconut farmers present rejected the logic. After a farmer's inflammatory speech against the PCGG, Espina said, "This is not the revolution that I fought for."

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PHILIPPINES

LAUREL APPEALS TO MULTILATERAL INSTITUTIONS

HK050232 Manila THE NEWS HERALD in English 4 Jul pp 1, 6

[By Dave M. Gomez]

[Text] Vice President and Foreign Minister Salvado H. Laurel yesterday appealed to multilateral lending institutions to give the Philippines a breather saying "We are not earning enough foreign exchange to service our foreign debt" which stands at a staggering \$26.5 billion.

Laurel asked the World Bank, International Monetary Fund and the Asian Development Bank to be a little more sympathetic in understanding the country's predicament.

"To put it bluntly, we are broke," Laurel said underscoring the country's alarmingly high unemployment, low economic productivity and lack of necessary foreign exchange to meet obligations with creditors.

"But we are not running away from our obligation," Laurel assured. "Give us time to breathe, a chance to put back our house in order, a grace period for us to redeem our national honor," he added.

The vice president spoke yesterday before the general membership meeting of the American Chamber of Commerce and Industry at the Hotel Intercontinental.

In his speech, Laurel exhorted multilateral lending institutions not to look at the Philippines as a mere business proposition, as an impersonal statistical entry in the balance sheet.

"Consider the Philippines today as a vibrant, young, enthusiastic and growing nation irrevocably determined to achieve a place in the sun. A nation capable of regaining its freedom and of placing back destiny in its own hands is surely the best collateral you can ever find," Laurel added.

Addressing Transnational Corporation, Laurel assured them that the era of crony capitalism is over and that the government is slowly dismantling the apparatus of too much state intervention in the economy.

"We are reviving private initiative and weeding out the tentacles of corruption and the mechanisms of inefficiency. Free enterprise will not just be a slogan but a dynamic reality," Laurel said.

Issuing a stern warning to the transnationals which abuse Philippine hospitality and accommodation, Laurel said, "We do not want to be a dumping ground of sub-standard products or of any commodity that is not fit for consumption in the country of origin,"

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PHILIPPINES

COLUMNIST ON 'CULT' OF MARCOS LOYALISTS

HK080733 Manila THE MANILA CHRONICLE in English 5 Jul 86 p 4

["On the Contrary" column by Petronilo Bn. Daroy: "Loyalty Turning Into Cult"]

[Text] The behavior of the loyalists is fast beginning to define a religious cult, complete with the necessary rituals, the absent deity which continues to agitate people at the very moment of remembering him, and the ascendancy to divinity of intermediaries.

Developments in the loyalist camp correspond to these attributes. The Sunday gatherings at Rizal Park is the Sabbath which becomes the occasion for the enactment of rituals. There is the chanting and war dance around the bonfire, in preparation for the street violence that is to follow.

Presiding over the ceremony of course, is the spiritual influence of the Couple in Hawaii who remains invisible.

The recent announcement of Arturo Tolentino about receiving a message from Ferdinand Marcos authorizing him to assume the presidency in the latter's absence, and his obedience to the message, complete the religious pattern. Tolentino sounds as if his obedience is an inescapable response to a call--a destiny he cannot shirk, as burdensome as God's summon to Abraham.

It would be a matter of days before the consistent organizers of the rallies--Raffy Recto, Oliver Lozano, Rita Gaddi-Baltazar, Alona Alegre, Elizabeth Oropese--would be transformed among the number of high priests/priestesses.

For inevitably, the Marcoses will leave Hawaii. When that happens, they will take on the character of omnipresence and omniscience; President Aquino and her government will pass into symbols of the devil, together with press freedom and journalists. And to give some sacred character to the ritual, the loyalists may later on congregate in some isolated lot associated with the legend of either Marcos or Imelda--the forlorn beach at Olot or at a hillside where Marcos is alleged to have manifested his heroism, the appropriate churches to be built in these places. The V sign meanwhile will be transformed into an amulet.

Given the history of protest and resistance movements in the country, the foregoing scenario is not at all unexpected.

And in a sense, the religion that would emerge would not differ from the way the KBL had been organized and sustained. Marcos' term was rife with rumors about seeresses perpetually being consulted; of anting-anting [amulets] being attached to his body which were responsible for the salvation of the members of his family in certain incidents.

The Marcos administration had, of course, hung on the threads of these myths which his biographers unabashedly wove into his life story. Those meetings and caucuses in Malacanang to which no deviation was allowed, at the risk of life or family disaster--all this had the auspices of a cult.

Having worked the aspect of religiosity into the whole affair of government and the KBL organization, it was no accident, therefore, that, on, his flight from the country the true believers should continue to have faith.

It was illusory for some to have been persuaded that the departure of Marcos would bring back his close associates to sanity. Having lost their reason by supporting a rule of murder and intimidation, it was illogical to expect them to also give up their faith.

At the moment some kind of economic determinism is being used in understanding the phenomenon of the loyalists. It is because the money, people say, still keeps coming.

Soon, contributions will be exacted, initially for the maintenance of the holy family in Hawaii and, as some American crackpots have done, the ordinary followers will respond and allot a part of their hard-earned income for the support.

In the end, the organizers will continue to prosper, the poor will continue to give, sustained in their faith in the infallibility of da great Ilocano, and awaiting his second coming.

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PHILIPPINES

MARCOS CLAIMS WELCOME IN THREE AFRICAN COUNTRIES

HK050354 Hong Kong AFP in English 0347 GMT 5 Jul 86

[Text] Manila, 5 July (AFP)--Former Philippine President Ferdinand Marcos said in an interview published here Saturday that Gabon, the Ivory Coast and Ghana may grant him residence.

Mr Marcos, ousted in February by a popular revolt, also said that other countries had requested him to move over from his exile home in Hawaii.

An official of the Gabonese Embassy here immediately denied the deposed leader's statement. The two other African countries cited by Mr Marcos do not have embassies here.

In an interview with NEW DAY, weekly magazine of the leading newspaper BUSINESS DAY, Mr Marcos said the three nations "offered the most generous terms provided that we will help develop them economically."

"It's not true," a Gabonese diplomat who asked not to be named told AGENCE FRANCE-PRESSE when asked if his country made any such offer to the 68-year-old Mr Marcos.

Mr Marcos also said "I have received a number of requests from other countries but all of these depend on arrangements with the American Government and with the Aquino government which has raised objections to my moving out of the United States." He did not identify the countries.

Mr Marcos, who ruled for 20 years, is stuck in Hawaii because the new government of President Corazon Aquino revoked his passport and warned that any Third Country that accepted him would be considered hostile to the Philippines.

His requests for asylum have been rejected by several countries. The Aquino government says he may come home only after the local situation stabilizes.

Mr Marcos is reputed to have amassed billions of dollars, largely stashed abroad, which the new government considers plundered from the Philippines.

Officials here have been seizing his local holdings and employing legal and diplomatic measures to recover his foreign assets.

Earlier press reports said Marcos emissaries had offered large investments to at least one country in exchange for residency but were turned down.

In the NEW DAY interview, Mr Marcos reiterated his stand that Filipinos were "not accepting a revolutionary government."

He said he was "ready to work for my country if they want me to go back and help" but added that he would not return if it would cause a civil war.

Mr Marcos, whose denials of being ill while in power were belied by a mini-hospital found in his palace after he fled, said:

"I jog, I lift weights, I do pushups, and I'd like these people who are talking about my health to try and do the exercises that I perform."

He opposed a fresh trial for the 26 people acquitted of the 1983 murder of Mrs Aquino's husband, Benigno Aquino, and denied that he influenced the trial.

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PHILIPPINES

LOYALISTS ACCUSE AQUINO OF 'FEAR' OVER MARCOS' RETURN

HK080825 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 5 Jul 86 p 1, 7

[By Fil Viduya]

[Text] Marcos loyalists said yesterday the Aquino government would not allow former President Marcos to visit his ailing mother for "fear the deposed leader would recover the power they robbed from him."

Batangas provincial fiscal Felizardo Lota branded as flimsy the reasons given by the Aquino people in not allowing Marcos to come home to see Dona Josefa, 93, who is reportedly seriously ill at the Philippine Heart Center.

Lota, who said he has not been reporting to his office since he tendered his resignation which remains not acted upon, said Marcos was sincere in his desire to reconcile with the Aquino government. He said "the former president openly [as published] professes his willingness to help fight the insurgents."

Lota said if Marcos would really like to come home, regardless of consequences, he could do it without begging from the new government. "He has the means and facilities to do it," he said.

The loyalists claimed that Aquino and her advisers know too well that they no longer enjoy the same popularity with the Filipino people and the military that they alleged to have had just after the February revolution.

To support their claim, the loyalists cited the scanty attendance of the recent "Reunion of Heros" February revolution and the government-sponsored rally for Independence Day rites at Rizal Park last 12 June.

"As a matter of fact," lawyer Oliver Lozano said, "we have reports that in both occasions, Aquino's men had to resort to hauling paid people from various places in Metro Manila to augment government employees compelled to attend (the Independence Day celebration) 12 June just to create the impression that they still have popular support."

They even went to the extent of requiring each barangay in Metro Manila to send at least 30 representatives, Lozano, spokesman for the Freedom Fighters of the Philippines, said.

Lozano attributed Mrs Aquino's fast sagging popularity to her government's repressive and vindictive policy which he said, alienated not only Marcos supporters, "but even those who had blindly cast their lots with her."

PHILIPPINES

COLUMNIST CALLS FOR PRESIDENTIAL ELECTIONS

HK081023 Manila THE MANILA EVENING POST in English 5 Jul 86 p 4

["To My Mind" column by Gerry S. Espina: "Legitimizing This Administration"]

[Text] Former Senator Arturo Tolentino is right when he says that Cory Aquino and Doy Laurel should stand for election if a new constitution is approved by the people if they want to continue in office as president and vice-president respectively.

For one thing, there really is up to now a serious doubt as to whether they actually won the last election. Unless the ballot boxes are opened and the votes counted, no one can truly say that she and Laurel won the election. Even the Namfrel [National Citizens Movement for Free Elections] count which showed Aquino and Laurel ahead by about half a million votes cannot be used as valid basis for the count was stopped with still about 30 percent of the actual votes uncounted. If allegations are true that the Namfrel count was manipulated so that the first count consisted of votes from areas known to be Aquino strongholds, the doubt on Aquino having won the election becomes even stronger.

The fact that she sits as president is not because the final vote tally showed her the winner but because Defense Minister Juan Ponce Enrile and then Vice Chief of Staff General Fidel Ramos, "defected" and about a million people went to EDSA [Epifanio de los Santos Avenue] not so much to install Aquino as president as to merely prevent a bloody confrontation between the Enrile-Ramos forces and the Ver group in the military. At the moment, Enrile and Ramos had no other choice. In fact, if Enrile and Ramos had not barricaded themselves in Camp Crame and through the media called on the people to go to EDSA to protect them, we doubt if the people, by themselves, would have gathered in such numbers and installed Aquino as president.

The efforts of the Aquino appointed members of the Con-Com [Constitutional Commission] to legitimize the incumbency of Aquino and Laurel by including a provision in the new constitution practically confirming their election will not erase that doubt. The big question mark will remain and consequently become an even greater threat to the stability of the present administration, regardless of the new constitution.

It should, however, be different if Aquino and Laurel stand for another election under the new constitution. If in this election (especially with Marcos out) Aquino wins, then normalcy will no doubt be achieved and political stability assured.

No one then will even question the legitimacy of her presidency.

But will Aquino do this? Perhaps she will. Will those around her especially those who now wield even more power than she allow this? We doubt it.

If we want real normalcy and stability under a new constitution, then we must start with a real clean slate, without any aberration. This can only be achieved if all elective officials provided for in that constitution stand for election during the first election under that new constitution. To exempt Aquino and Laurel from that election especially considering the doubtful nature of their ascendancy to the presidency and vice-presidency respectively, can be the single most destructive factor in our quest for national reconciliation, normalcy and stability.

The recent NPA ambush in Quezon that killed an army major and about a dozen soldiers puts to test the sincerity of the communists to really sit down and negotiate for peace. Or it could be that Defense Minister Juan Ponce Enrile is correct. That there are three communists or NPA factions. It is also possible that the ambush was a dramatic threat to the Aquino government that it really has no choice but to enter into a coalition with the communists. Otherwise, any time or place, they can ambush and kill our soldiers.

In fact, our sources from at least six provinces tell us that already, NPA leaders in the barrios are openly saying that by 1987, or before, they, the communists will be the only ones on top. If this happens, then Marcos was correct. During the campaign, he kept repeating that his number one apprehension of an Aquino in power was the eventual takeover of our country by the communists. Some sectors of our population may have truly believed that under Marcos they were like in a frying pan. The prospect now is that, from the frying pan, we may all soon end up in the fire.

Is the Human Rights Commission of former Senator Diokno only concerned with human rights violations under the Marcos regime? Since the loyalists started their rallies and demonstrations, not a few demonstrators have been either reported missing or killed and yet nothing has been heard from Senator Diokno and his commissioners. We thought all along that human rights violations are violations regardless of who are the violators and the victims.

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PHILIPPINES

PCGG COMMISSIONER DISCUSSES FORMER 'OLIGARCHS'

HK080920 Quezon City ANG PAHAYAGANG MALAYA in English 29 Jun 86 p 3

[By Staff Member Ellen Tordesillas]

[Text] The Presidential Commission on Good Government [PCGG] will not allow itself to be used as a tool for the reinstatement of pre-martial law oligarchs to their former status, PCGG Commissioner Ramon Diaz said Friday.

Speaking at the breakfast meeting of the Manila Jaycees Senate at the Manila Gold Club, Diaz said the PCGG commissioner has been approached by representatives of families who have been deprived of their properties by former president Marcos, his relatives and associates.

The former oligarchs are reportedly reasserting their right to properties which they claim to have been confiscated from them either without or inadequate compensation, Diaz disclosed.

"We do not consider it our job to return to the former oligarchs their properties," Diaz said.

An oligarch is a supporter of a system advocating the rule by few persons.

PCGG sources said some of the families who have approached the PCGG about their properties are the Lopezes, Jacintos, Cojuangcos and Razons.

The late Eugenio Lopez Sr used to own Manila Electric Company ABS-CBN radio-TV network and MANILA CHRONICLE newspaper.

Benjamin "Kokoy" Romualdez, brother of former First Lady Imelda Marcos, took over Meralco and MANILA CHRONICLE.

Another Marcos crony, Roberto Benedicto, took over ABS-CBN.

Fernando Jacinto is reclaiming Iligan Integrated Steel Mills despite documented reports of his own mismanagement and diversion of government loans before government takeover, sources said.

Enrique Razon Sr is reclaiming Metroport Services, which handles Arrastre Services in South Harbor, from Alfredo Romualdez, another brother of Imelda Marcos.

PCGG sources said Jose Cojuangco Jr and Richardo Lopez, President Aquino's brother and brother-in-law respectively, are reportedly reclaiming some of their properties confiscated by the Romualdezes.

Diaz said he is opposed to the return of those properties to their former owners as it would perpetuate the maldistribution of the country's wealth.

"If he (the former oligarch) was able to afford to give them to the government with all the wealth he had, why should we return those to him?" Diaz said.

Diaz proposed the conversion of large tracts of sequestered unused lands into housing areas for homeledd families.

He also suggested the sale of one half of those properties. The income should be used to build tenement houses "so that the poor can be near their places of employment and not live in far out Cavite," Diaz said.

Analyzing the documents and other evidence the PCGG has on Marcos ill-gotten wealth, Diaz said the former chief executive got "tremendous assistance from three groups of people: the clever professionals like lawyers who closed their eyes to the morality of the transaction, the smart businessmen and corrupt public officials.

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PHILIPPINES

PCGG OWNERSHIP, VOTING AUTHORITY INCREASED

HK300418 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 28 Jun 86 pp 1, 6

[By Rodolfo V. Brul]

[Text] President Aquino has granted the Presidential Commission on Good Government [PCGG] blanket authority to exercise ownership rights and voting privileges over sequestered corporate shares, PCGG Commissioner Ramon Diaz said yesterday.

PCGG's newly acquired authority will make "moot and academic" all suits filed by parties affected by sequestration orders, questioning the commission's right to use seized shares in voting its men to board of corporations, Diaz said.

President Aquino shall also designate the board of directors as well as officers, if needed, in the corporations concerned, he added.

The PCGG's blanket authority is contained in an unnumbered memorandum issued 26 June by the president of an annex to the Executive Order Nos 1, 2 and 14, which created the PCGG, and delineated its powers and immunities on the recovery of ill-gotten wealth.

The president's memorandum also empowers the PCGG to:

- Elect its men to the board of directors
- Declare dividends
- Amend the seized firm's articles of incorporation
- Adopt and amend the by-laws
- Sell, lease, exchange, mortgage, pledge or dispose of all or substantially all of the corporate properties
- Incur, create or increase bonded indebtedness
- Increase or decrease the capital stock
- Merge or consolidate the corporation with another or other corporations

--Invest corporate funds in another corporation or business for purposes other than the primary purpose for which it was organized

--Determine the ownership of said shares of stocks pending the outcome of proceedings in resolving the true owners of sequestered shares

The memorandum, however, can be contested in the Supreme Court, Diaz said.

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PHILIPPINES

OPLE CONDEMNS COMMISSION'S EXPANDED POWERS

HK010457 Quezon City BUSINESS DAY in English 30 Jun 86 p 24

[Text] President Corazon C. Aquino was urged yesterday to immediately recall a memorandum expanding the power of the Presidential Commission on Good Government (PCGG).

Partido Nacionalista ng Pilipinas Chairman Blas F. Ople said the expansion of PCGG power "will be seen in retrospect as her first serious misstep into a world of great moral ambiguity, the world of economic power by state fiat, which is the beginning of organized greed."

Ople, who leads the political opposition in the Constitutional Commission said "cronyism during the Marcos regime began under less auspicious circumstances."

Ople was reacting to a memorandum issued by Mrs Aquino several days ago. The memo expanded the sequestration power of PCGG to vote shares in sequestered companies pending the determination of their true owners.

Ople said this was designed precisely to seize complete control of the United Coconut Planters Bank [UCPB], and to take over the UCPB in today's stockholders' meeting.

According to Ople, PCGG's expanded power is but a tactical necessity and a grand strategy which vests the voting rights of the sequestered shares in no fewer than 180 companies.

Many of these companies are already in control of the economy with a minimum estimated value P30 billion or more than 5 percent of the gross national product, he added.

Considering the vast array of enterprises already sequestered and those still facing sequestration, PCGG will now emerge as a government superbody presiding over the largest economic empire within the national economy, Ople said.

"PCGG's power constitutes the whole range of ownership and management prerogatives," Ople said, adding that in vesting these prerogatives in PCGG, President Aquino has made the further determination of the ownership nearly academic and superfluous.

The memorandum in effect, has preempted the effective jurisdiction over these cases by PCGG. The Supreme Court, the Sandiganbayan and the Securities and Exchange Commission and other quasi-judicial bodies will find themselves having to stand aside to give way to the force of the Aquino memorandum.

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PHILIPPINES

PAPER EXAMINES NEW POWERS GRANTED TO PCGG

HK010628 Quezon City BUSINESS DAY in English 30 Jun 86 p 12

[By Stella Marie R. Tirol]

[Text] President Aquino has issued a memorandum to the Presidential Commission on Good Government [PCGG] authorizing it to exercise the voting rights of sequestered shareholdings in corporations.

The memorandum boosts the PCGG's clout and effectively renders as moot and academic the string of court cases questioning the commission's authority to vote sequestered shares of stock.

The memorandum clarifies and confirms the extent of powers of the PCGG, which Executive Orders No 1 and No 2 have created and given the task and powers to investigate cases of hidden wealth and to sequester and freeze assets.

Executive Orders No 1 and No 2 to not specify whether the commission has the right to vote sequestered shares.

The memorandum, issued 26 June and signed by President Aquino proclaims the rights of the PCGG to vote on the strength of sequestered shares as pertains to such issues as election of directors, declaration of dividends, amendment of the articles of incorporation, and adoption and amendment of by-laws.

It also authorizes the commission to vote on the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all corporation properties; on incurring, creating or increasing bonded indebtedness; on increasing or decreasing capital stock; on the mergers or consolidation of the corporation with another or other corporations; and on investment of corporate funds in other corporations or businesses or for purposes other than the primary purpose for which the sequestered company was organized.

As suspected ill-gotten wealth of the Marcos regime are in some of the biggest companies, the weight of PCGG-sequestered shares in corporate decisions has become highly significant. The commission's approval on such matters as the composition of boards of directors has been the crucial factor in recent board elections.

In San Miguel Corporation [SMC], the biggest manufacturing conglomerate, the PCGG has sequestered and voted 51 percent of the outstanding shares of stock.

Large blocks of shares, alleged to be beneficially owned by Marcos and his cronies, have also been sequestered in Oriental Petroleum and Minerals Corp, United Coconut Planters Bank [UCPB] and other major corporations.

The PCGG's right to vote these shares is temporary, "pending the outcome of proceedings to determine the ownership of said shares of stock," the president's memorandum says.

It adds that "the president shall designate the persons who shall be voted for to the boards of directors in the corporations concerned, corresponding to the sequestered shares, as well as the officer thereof if needed."

In SMC, Education Minister Lourdes Quisumbing, former member of parliament Homobono Adaza, Information Minister Teodoro Locsin Jr, Government Service Insurance System President Feliciano Belmonte Jr, Philippine Coconut Authority Chairman Oscar Santos, Ramon Garcia of Chemphil, and Eduardo do los Angeles representing the minority stockholders were elected on the strength of the sequestered shares.

Quisumbing has said they were chosen by President Aquino.

In PLDT [Philippine Long Distance Telephone Company], Benjamin Quingona and Mario Locasin were the PCGG nominees who now sit on the board of directors.

In Oriental Petroleum, Jaime Ledesma, Ramon Pedrosa, Amparo Barcelon, Guillermo Pablo Jr, Eduardo Hernandez and Antonio Caguiat were elected on the strength of sequestered shares.

The memorandum comes at a time when the PCGG is facing a string of suits questioning its authority to vote sequestered shares and exercise other rights of ownership.

UCPB has filed a case against SMC and the PCGG, alleging that 33.13 million of the sequestered SMC shares belong to coconut farmers represented by UCPB.

Since the sale of these shares to SMC did not push through, the bank is asking that it exercise the rights of ownership over those shares.

A UCPB lawyer also said that, even if the shares of stocks have been sequestered, this does not mean that the PCGG has acquired rights of ownership since ownership by Marcos or his cronies has yet to be proven.

Some SMC minority stockholders have similarly complained against the company's new board of directors. They claim that the PCGG has not acquired the privileges of owners by mere sequestration and without legal proceedings.

Eduardo Cojuangco Jr, former president of the UCPB, has asked the Securities and Exchange Commission for a restraining order to prevent the PCGG to vote sequestered UCPB shares which he claims are rightfully his. No court or quasi-judicial body is expected to contradict the president's directive.

PHILIPPINES

EMPLOYERS, KBL CONCERNED OVER PCGG POWERS

HK030503 Manila Far East Broadcasting Company in English 2300 GMT 2 Jul 86

[Text] The Employers Confederation of the Philippines yesterday warned that the grant of awesome powers to the government on the disposition of public properties would worsen the country's economic problems. The warning of the confederation was made through its President Franklin de Leon in reaction to the proposal made by the Labor Advisory Consultative Committee to the Constitution Commission.

De Leon said the proposal would dampen public initiative and exacerbate the country's economic trouble.

Meanwhile, the Kilusang Bagong Lipuanan yesterday moved for the immediate dismantling of the Presidential Commission on Good Government [PCGG] before it totally wrecks the national economy and becomes the principal instrument to deliver the people into the waiting arms of the communists.

KBL Central Committee members launched the move following expressions of fear and alarm that the PCGG and its confiscatory powers will plunge the country into worse social economic problems, principally characterized by growing unemployment and poverty. Former Senator Arturo Tolentino, KBL titular head, former Speaker Nicanor Yniguez, acting party president, and Manuel Garcia, KBL secretary general, stressed that the unlimited sequestration, confiscation, seize and hold order powers of the PCGG violate the very Freedom Constitution of the government.

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PHILIPPINES

COLUMNIST QUESTIONS PCGG ACTIONS AGAINST UBPC

HK081033 Manila THE MANILA EVENING POST in English 4 Jul 86 p 4

["Rallying Point" column by Mat Defensor: "No More 'Due Process'"]

[Text] When the government exercised full confiscatory powers in its takeover of the United Coconut Planters Bank [UBPC], fear struck the heart of businessmen who could only watch with awe how the all-encompassing powers of PCGG [Presidential Commission on Good Government] can take over business just like that.

The UCPB board was headed by no less than Defense Minister Juan Ponce Enrile who had publicly opposed the PCGG move against the UCPB. But even the Defense Minister seems helpless with the way events are shaping up.

Sequestration is a new-found power of the government under what appears to be "constitutional democracy." Students of political law have learned that rights to private ownership can only be interfered with by government through taxation, police power, and eminent domain. These government powers are limited by the "due process" clause of the constitution and under certain equitable conditions.

Now, the story is totally different. The right to property can be transgressed and the exercise of ownership can be taken away by the government on the mere suspicion that the property belongs to former President Marcos or his cronies. No evidence is needed. No trial is conducted. The owners on record are not given a chance to present their side.

The PCGG members act as the prosecutor and the judge. They are the conquering hordes who at the slightest whim get themselves elected as board members of corporations and install themselves as managers with all the emoluments and privileges that go with the positions.

One can only ask what the PCGG is doing in the UCPB. The government does not seem to have anything to do with the bank. If they are after the shares of Danding Cojuangco, one must ask where Mr Cojuangco got those shares. We can only presume that those shares were owned by the farmers and acquired by Mr Cojuangco through the coconut levy. If their shares are not owned by Mr Cojuangco, then they are owned by the farmers of vice-versa. Where does the government come in?

But worse, even the shares of the farmers were sequestered, giving the government full control of the bank to the extent of more than 94 percent.

Minister Enrile, in refusing to accept the chairmanship of UCPB, aired his wish to allow PCGG people to determine the ownership of the sequestered shares. Even such a wish is out of the question since the PCGG members themselves do not question the farmers' ownership of those shares. Just the same, those shares were taken over.

The chance of the country's economic recovery depends largely on a wholesome business atmosphere. But the government through the PCGG is not helping any.

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PHILIPPINES

EDITORIAL QUESTIONS UNICAMERAL BODY VOTE

HK081448 Manila THE MANILA EVENING POST in English 7 Jul 86 p 4

[Editorial: "A Unicameral System"]

[Text] The Constitutional Commission's [Con-Com] Legislative Committee, in a vote of 8 to 7, has approved a unicameral body with 250 elected members, the National Assembly. The members will be elected by province for a 4-year term, without limitation on reelection. This system goes hand in hand with the return to a presidential system.

In political science a feature of a republican government is the separation of powers with its concomitant checks and balances. In the past, two legislative bodies checked on the Executive, the Senate and the House of Representatives. The House members represented the provinces while the senators had the entire nation for their constituency. The Senate was also the training ground of future presidents.

With a unicameral body, elected by province at that, there is the danger that members might become parochial in their views and that issues might be considered only from the point of view of the narrow interests of their respective provinces. Executive pressure on a member of the assembly might also be easier to carry out. There will be no guarantee that members will sacrifice their local interests to favor the general will.

Unicameralism, of course, has its own advantages. At least it will be cheaper to maintain. Legislation would be more expeditious. But whether we will also have quality legislation is another matter.

This corner has always stressed that the people need more information about what is going on at the Con Com. They learn merely of the number of votes cast but there is no thorough analysis of issues approved that is offered. What are the advantages and disadvantages of unicameralism as against bicameralism? What is the main rationale?

The people must be told the reasons behind the votes.

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CSO: 4200/1203

PHILIPPINES

PAPER EXAMINES PUBLIC FORUMS ON CONSTITUTION

HK080433 Manila THE NEWS HERALD in English 7 Jul 86 p 4

[Editorial: "Forums Take Public Pulse on Charter"]

[Text] The public pulse is being taken by the forums on the new constitution which will become the fundamental law of the land and therefore must be expressive of the people's will.

The hearings may not reflect the people's general sentiments on certain proposed provisions in the 1986 charter, as Pampanga Governor Bren Guiao commented after some 3,000 sectoral leaders voted in San Fernando for the abolition of the U.S. bases, but they do provide the framers of the constitution an idea of what the people want their constitution to be.

The members of the Constitutional Commission are men and women chosen for the task of drafting a new charter on the basis of their probity, honesty, intelligence and other qualifications. However, they are individuals with their own ideas of what the 1986 constitution should or should not have and their proposals do not always coincide with the public concern. The forums remind them that their duty is not to draft a charter that reflects their own prejudices and interests but to produce a proposed fundamental law and people will accept as the embodiment of their aspirations, values, rights as well as duties and responsibilities--a truly Philippine Constitution containing little, if any, of the defects of (nothing is perfect after all) but all that was good about the previous charters plus what their framers left out.

The decision, for example, of the Constitutional Commission to adopt as a constitutional provision the presidential system of government came after overwhelming proof it was the majority preference in the public hearings conducted throughout the country.

The public forums on the new constitution answer the criticisms against the Constitutional Commission that its handiwork will not be a people's constitution because the people did not directly choose its members.

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PHILIPPINES

EDITORIAL ON BANNING TORTURE OF REBELS

HK080811 Manila MANILA BULLETIN in English 5 Jul 86 p 4

["Editorial": "Rebellion's Nemesis"]

[Text] The president's prohibition against torture is a tactical move in aid of the government's effort against insurgency. When soldiers torture detainees, they harden the detainees' determination to fight the government another day. And since torture, if practiced often, becomes well known in the locality, it alienates the military from the population. The military becomes an unwelcome presence even as the insurgency gathers roots.

The duration of the uprising may be mainly due to the fact that the government could not make up its mind on a single strategy and on a set of tactics. Or probably it had a strategy and the tactics in mind but just could not implement them right. It is amazing how this could happen to an armed forces which even then had its corps of guerrilla experts.

Mrs Aquino's strength may lie in the fact that she seems to regard insurgency guilelessly.

She sees the need to raise the morale of the soldiers and pledges to be fair to them. She perceives the need to be fair to both the communities and the rebels and warns against torture. She sees the possibility of ending the insurgency and initiates the ceasefire talks.

A president who frees political prisoners when she has hardly armed her seat is not easily vulnerable to the charge of deception.

A leader who approaches the insurgency problem without deception can be the rebellion's nemesis because her efforts are supported by the population.

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PHILIPPINES

EDITORIAL ATTACKS NPA 'INTRASIGENCE'

HK081001 Manila PHILIPPINE DAILY INQUIRER in English 5 Jul 86 p 4

[Editorial: "NPA Intrasigence"]

[Text] Communist-led guerrillas struck again Wednesday: This time along the Aurora-Quezon boundary, finishing off seven PC [Philippine Constabulary] troopers, including one officer. The ambush brings to three the total number of attacks launched by NPA units in various parts of the country against government security forces—over the past week alone. There is, on an immediate sense, a pattern in these latest displays of military aggressiveness by the Red underground. Even as its chief negotiators are making the first moves in the much-publicized peace parley with their government counterparts, the CPP [Communist Party of the Philippines] seems to have decided that it must demonstrate to the Aquino administration that it is a force which the government cannot ignore, and to which the government must grant concessions. Or else.... Apparently, the recent ambushes are part of a deliberate plan to give the CPP emissaries the leverage to "negotiate from a position of strength."

But while the cold-blooded waylaying of government soldiers may show that the CPP-LED and trained guerrillas in the New People's Army have gained a certain measure of military expertise, it has not aroused any popular sympathy for the Reds. On the contrary, many ordinary citizens—while cognizant of the communists' contributions to the struggle against the dictatorship—are now beginning to feel that the Reds aren't willing to give those of us who are not Marxists the chance to put our house in order and to work for some semblance of peace. With Marcos now gone, the communists—in the opinion of a growing number of Filipinos, including those who once had some sympathy for them—are determined to make themselves the country's leading problem. They are apparently trying to exacerbate the contradictions between the main factions that compose the government.

By offering the olive branch to president as well as to the liberal and left-leaning members of her government while simultaneously provoking the armed forces and the conservatives with its ongoing tactical offensives, the CPP is blatantly trying to drive a wedge between the military and the civilian leaders of the country. The aim—as far as we can deduce it—is to isolate the AFP [Armed Forces of the Philippines] and the conservatives in the government coalition, and hopefully win over the liberals and so-called progressives in Ms Aquino's Cabinet.

Unfortunately, the Reds have failed to reckon with the fact that the armed forces are not as discredited as the CPP's propagandists have painted them to be. There still is a deep reservoir of gratitude and respect for the AFP and its reformist leadership arising from the revolt that toppled Marcos. Should the communists continue to remain intransigent what is more likely is that it is they who will be isolated by a citizenry grown indignant by the NPA's irrational attacks.

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PHILIPPINES

REPORT VIEWS REBEL RETURNEES IN CAGAYAN DE ORO

HK090307 Manila THE MANILA CHRONICLE in English 8 Jul 86 p 6

[By Malou Mangahas]

[Text] Cagayan de Oro City—Thirteen former rebels took their oath of allegiance to the Republic before President Aquino yesterday.

The 13 had actually surrendered in December 1985 and the ceremony, capping Mrs Aquino's visit here, appears part of a propaganda contest between rebels and soldiers.

Last Sunday, General Fidel V. Ramos and other military officers led newsmen to a common grave where supposed victims of rebel atrocities had been buried. The gravesite, in Opol, Misamis Oriental, is reportedly the fifth found in Mindanao. The military said the killings were the rebels' handiwork.

Rebels have called the surrender of their supposed comrades "publicity gimmicks," local newsmen reported.

Some of the returnees were reportedly military "deep-penetration agents" (DPAS) whose mission had been discovered by rebels, and so the surrenders.

The "returnees" had also been called "zombies" by reporters here.

But no one could ascertain for sure which side is telling the truth, for the military could hardly give on the returnees' identities.

For instance, the number of surrenderees who were to meet with Mrs Aquino could not be confirmed until it was time for their oath taking.

On Sunday, government authorities gave various estimates on the number of returnees—10, said Local Governments Minister Aquilino Pimentel Jr; 20, said Regional Command 10 Chief Colonel Jesus Hermosa; and 37 or 47, said the Information Ministry.

Hermosa told the CHRONICLE that 10 of his 20 returnees had appeared in the military's order-of-battle, and may thus be considered genuine rebels.

He refused to comment on the identities of the other 10, but stressed that it was not true that among the returnees are military agents who had only been "returned to normal duty."

The military deploys DPAS among the rebels, he said, to gather data on their manpower strength, armaments, deployment and military targets.

A number of DPAS had been executed by the rebels in the recent months. Hermosa said he would not call these DPAS "zombies," saying that to the rebels, these agents are considered "traitors to their cause." That cause is, of course, the enemy's cause, he added.

Pimentel said that the surrender had actually been arranged by Misamis Oriental Governor Vicente Emano. One of Emano's qualifications, he said, is a blood-relation in the NPA in the person of Nido Nabong, alleged rebel regional leader.

Habong, according to Pimentel, had assured Emano that the NPA would not stand in the way of its members who want to return to normal life. In Agusan del Sur, Pimentel said he had also received word that 45 Olperirebels would like to surrender.

Still, local officials here reported that for the duration of the President's visit, an "unofficial cease-fire" had been declared by rebels and soldiers.

The rise to power of the Aquino government has eroded much of the popular support for the insurgency, civilian and military officials agreed. Still, in some parts of the region, an uneasy peace holds because of actual cases of civilian tussles with men of arms.

In Taguluan Town, Misamis Oriental, for instance, Pimentel said he has learned that Civilian Home Defense Forces [CHDF] had enforced a food blockade on the residents to flush out support for the NPA. Hermosa said he still has to check on this report.

From Claveria Town, Misamis Oriental, about 100 villagers had fled their homes for the second time to escape from alleged abuses committed by the CHDF. The Claveria folk are now seeking refuge at the provincial capital.

One of the evacuees, a pregnant woman, told the 'CHRONICLE' of how she lost one of her five children to sickness during their second evacuation. On Sunday, the woman marched to the rally for President Aquino, in her hand a banner urging the disbanding of the CHDFS and the Tadtad, a group of religious fanatics notorious for chopping their victims' bodies.

The evacuation of the Claveria talk was dismissed by Hermosa as merely a propaganda ploy of the rebels. Still, Hermosa said he will check on the evacuees' complaints.

The issue of what to do with CHDFS—to disband or to merely reform has locked local officials and military officers in a bind.

Pimentel said he strongly favored the abolition of the CHDF. "The police can take over functions of the CHDF," he said, "especially if police control would be returned to local executives."

Officers-in-charge of provincial and municipal governments urged last month the disbanding of the CHDFS. If this were not possible, they said the militia groups must be reformed.

Hermosa said, however, it was not possible for the CHDF to be disbanded as this would weaken the governments' counter-insurgency drive. In Region 10, Hermosa said about 5,000 militiamen assisted 400 soldiers in his command in fighting the rebels. About 20 companies of policemen also operate in northern Mindanao.

This force contends with what Hermosa reported were a band of 400 NPA regulars, half of whom were armed. However, he said the rebels are being assisted by 10,000 [word indistinct] and move around 50,000 mass supporters in 20 percent of the 2,414 barangays of Region 10.

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PHILIPPINES

PC CAPITAL COMMAND OPPOSES POLICE TRANSFER TO MAYORS

HK080921 Quezon City ANG PAHAYAGANG MALAYA in English 27 Jun 86 p 7

[By Staff Member Desiree Carlos]

[Text] Capital Command [CAPCOM] Chief Brigadier General Ramon Montano has warned against turning over control and supervision of local police to local officials or risk chaos.

He issued the warning in a meeting with the officers of the National Police Commission [NAPOLCOM], the Metro Manila Commission and Metro Manila local government heads at the Club Filipino.

Montano said the problem of law and order could not be solved if each area was isolated from the rest of the cities and towns.

"It is impossible to do so. There will be chaos, instead of improving delivery of police services to your own citizens," he said.

Montano cited the case of Quezon City which had to seek assistance from CAPCOM and other police stations in neighboring cities and municipalities for more personnel to control a violent demonstration last Sunday along EDSA [Epifano de los Santos Avenue] fronting Camp Aguinaldo.

"Full control will mean isolated control by mayors concerned," he said.

NAPOLCOM head Circero Campos, on the other hand, asked the local government heads and the CAPCOM to sit together and discuss the implications or "stumbling blocks" of the turnover of police control and supervision to mayors.

Campos, who said the Office of the President has yet to issue guidelines on the transfer, stressed that change would take time.

Campos also noted the financial requirements to maintain a police force.

He noted that the cities and municipalities in the metropolis have been erring in the remittance of their yearly 18 percent contribution to the PC/INP [Philippine Constabulary/Integrated National Police].

The national government has been subsidizing the PC/INP in the amount of P2.009 billion yearly, he said.

PHILIPPINES

CIVIL SERVANTS REPORTEDLY 'RESTLESS' OVER MASS LAYOFF

HK080909 Quezon City ANG PAHAYAGANG MALAYA in English 29 Jun 86 pp 1, 7

[By Correspondent Manny Velasco]

[Text] It has been said that one of the factors that augured well for Corazon Aquino when she was still campaigning against the formidable Marcos machinery was the tremendous amount of goodwill she generated among hundreds of thousands of government employees.

This was best reflected in the unabashed adoration she got from civil servants from the Commission on Elections, and the nearby education ministry in Intramuros when she filed her certificate of candidacy. It seemed then that the charismatic Mrs Aquino had truly won the hearts of most civil servants, despite the well-known fact that Mr Marcos had often relied on them for "hakot" [transporting] purposes during his rallies in Metro Manila.

The wealth of support from government workers continued until the election, when they served as watchers and when they even frustrated electoral fraud attempts or treasury fund misuse in their own offices.

Now, the tide had changed.

Thousands of government employees are growing restless. The specter of losing their jobs in view of the ongoing reorganization is simply horrifying. It haunts them even in their sleep.

Racing against time, they are swiftly organizing their ranks, forming their respective employees' unions or loose alliances to buck the oncoming rush of disaster.

Their apprehension actually started during the last presidential campaign period when then former President Marcos warned them they would lose their jobs if his opponent (Aquino) would win in the election.

Aquino, however, gave her personal assurance that nobody would be removed from public office as long as one has been performing his task well and right.

But succeeding events gave them reason to grow apprehensive once more, as government employees were removed left and right by newly designated officers-in-charge in provincial and municipal offices.

Then came the inevitable. Faced with the lack of funds, the government, aside from purging the ridden bureaucracy, had to mount a massive reorganization to eliminate duplication of tasks in various ministries and government-owned or controlled corporations.

Thus, employees started to organize themselves to petition government against a possible massive layoff.

In a march to Malacanang last 11 June, the Coalition for Unity, Recognition and Advancement of Government Employees (COURAGE) presented to the president the following demands:

1. That their right to security of tenure, due process, termination pay and others be upheld.
2. That a consultative mechanism be formed representing the employees in the restructuring and staffing of government offices and agencies.
3. That their representation in the formulation of the new civil service act be insured.
4. That their right to free and collective bargaining with management be recognized.

Among the members of the coalition are the various employees' associations at the National Housing Authority, Ministry of Human Settlements, National Food Authority [NFA], National Irrigation Administration, Philippine Atomic Energy Commission, Philippine Fisheries Development Authority, and the Philippine Overseas Employment Authority.

The group said reorganization, from the point of view of the new government, is not only understandable but also welcome. They recognize its validity inasmuch as it is an important move to sustain government operation and to start much-needed reforms.

But these, they claimed, can be done without mass layoffs.

"Only the corrupt and looters must go," they demanded.

As for employees working in offices that would inevitably be abolished, the coalition is putting on the government the responsibility of relocating those who would be affected to other appropriate offices and positions. If not, the government should compensate them justly if they are separated, the group demanded.

To minimize retrenchment, the group also urges the president to review the budgets of favored ministries, including that of the national defense, so as to rechannel some of these to "essential and productive services."

Danny Consumido, chairman of the NFA employees guild and one of the moving spirits behind the huge coalition said they are ready to submit to the cleansing process if only to restore and uphold the virtues of professionalism and integrity in the civil service.

An impending reorganization at NFA could affect about 8,000 employees nationwide.

He puts emphasis on the term "civil service," lamenting the fact that it is often confused with the political administration of the government. As a result, the group claimed, politicking and partisanship have become rampant in the service. Civil servants, they said, should only be partisan to the people. Consumido cited as proof that our leaders have not outgrown this tendency to confuse civil service to loyalty to particular administration, the repayment of political debts to supporters and proteges by the grant of positions in government during the previous regime.

Certainly, he repeated, the government needs to be reformed and revamped.

"But our idea of reform and revamp is not the horrible spectre of parading hooded executioners harassing and haunting us even in our sleep," Consumido said.

Neither is it a return to the patronage system of old politics, he added.

An ugly repercussion of this massive layoff in the guise of a purge, he said, is when employees wage a smear campaign against each other in a bid to cling to their present posts.

Another government agency facing a major revamp and possibly even abolition is the Ministry of Human Settlements which employs some 15,000 people nationwide.

Levi Alamis, president of its employees organization, told MALAYA they are asking Mrs Aquino to implement a true reorganization which "will not sacrifice the small employees and workers."

The economic havoc wreaked by the past regime demands urgent courses of action, he admitted.

He fears, however, "certain political forces" are trying to undermine the new dispensation.

Thus, the need for reorganization to improve the efficiency and competence of the new government.

All in all, the government has to act swiftly to defuse a volatile situation. It will not be easy to convince a hungry person, much less a breadwinner, to put national interest ahead of all things.

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PHILIPPINES

MINDANAO BUSINESSMEN SEEK LABOR MINISTER'S OUSTER

HK080813 Manila THE NEW PHILIPPINE DAILY EXPRESS in English 5 July p 2

[By Proculo Maslog]

[Text] Cagayan de Oro—The business sector in Northern Mindanao is seeking the ouster of Labor Minister Augusto Sanchez "for being biased in favor of labor which has resulted in an alarming labor unrest."

The demand for Sanchez' ouster is contained in a position paper to be submitted by the group to President Aquino when she visits here 6 July for consultative meetings with sectoral leaders in the region.

The group said if the present labor unrest is not immediately attended to by the government, the nation's economic recovery effort will be derailed.

"The present labor minister, with his apparent bias for labor, is in no position to help improve the situation," the group said.

"We need a labor minister who can reconcile the interest of both labor and management," the group added.

The group also said the excessive labor laws like the minimum wage and the 13th month pay are compounding the volatile labor situation.

The group charged that many labor unions, especially those which are extremely militant, are being used as fronts by leftist elements out to destabilize the country.

Other proposals contained in the position paper:

--The government should ban from the picket line all non-employees, especially in strikes apparently instigated by subversive elements.

--Abolition of the minimum wage law and /or regionalization of wage structures. This, the group said, will enable business to hire more people.

--Strikes should be banned in extremely vital industries like banks.

--Speedy settlement of strikes through compulsory arbitration.

--Improve tax collection instead of imposing additional taxes.

PHILIPPINES

NATION TO TRY TO MAKE EEC MAIN EXPORT MARKET

HK081009 Manila PHILIPPINE DAILY INQUIRER In English 6 Jul 86 pp 1, 2

[By Rey Arquiza]

[Text] The Philippines will attempt to penetrate the European Economic Community, considered the world's largest trading bloc, as its principal market for exports.

Vice President and Foreign Affairs Minister Salvador Laurel pointed out that there appeared strong interest on the part of the EEC to import raw materials from the Philippines.

He said the atmosphere is ripe to exploit the situation to give life to the long dormant export industry, a factor attributable to the collapse of the economy.

Laurel, who left last night for four European nations in search of economic assistance, was joined by Trade Minister Jose Concepcion.

The EEC, according to Laurel, was deliberately left out as a source of raw materials [as published]. EEC Commissioner Claude Cheysson had told Laurel recently that the previous administration had completely eroded the Philippines image in the family of nations.

Cheysson said the EEC had to turn to other ASEAN member-nations for raw materials to stress its distrust to the leadership of the then President Marcos.

Laurel also said the Federal Republic of Germany has committed to the Philippines to open its doors for Philippine exports.

The EEC will also discuss with Laurel in Brussels the restructuring of Philippine debts.

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PHILIPPINES

TRADE MINISTER CALLS SUGAR 'SUNSET INDUSTRY'

HK080159 Quezon City BUSINESS DAY in English 7 Jul 86 p 11

[Text] Bacolod City--Hopes for an increase in the U.S. sugar quota which have been rekindled by recent reports from Washington were again shattered with the pronouncement here yesterday of Trade and Industry Minister Jose Concepcion Jr that sugar is indeed a "sunset industry."

Concepcion told a gathering of trade and industry groups from both Negros Occidental and Negros del Norte that his talks with U.S. officials from both the Senate and the House of Representatives were not very encouraging regarding the prospect of an increased sugar quota.

"The State Department is against an increase," he told the group of over 200, which included sugar planters and millers, who gathered at the provincial Administration Center here. "Why encourage support for sugar when it is a sunset industry?" he asked.

Concepcion told the assembly bluntly that he believes the question is valid. With regard the agitation of sugar industry delegations in the United States lobbying for such an increase, the trade and industry minister said "what we are looking for is something that is not permanent but only a transition solution for the sugar industry (problem) while it moves into substitute crops."

He also said that only 25.4 percent of the U.S. market for sugar is accounted for by South Africa, Australia, Canada and the Philippines, with the latter getting the biggest share of 13.7 percent.

The present Philippine quota from the U.S. is 203,000 metric tons which the industry hopes to double next year.

Other prospective markets for sugar during the transition period, he said, are Australia and Singapore.

If the U.S. sugar quota for Australia, which comes to 8.3 percent, could be diverted to the Philippines for the next six years, he said, it would be of great advantage to the country. "We are willing to return it after the adjustment period," he said.

He expressed confidence that Negros Occidental Governor Daniel Lacson Jr could play a major role in convincing the Australian Government to agree to this proposal in view of the very cordial visit to this province last week of Foreign Minister Bill Hayden and Ambassador Roy Fernandez.

The Australian Government recently gave to the province P4.5 million through the UNICEF and has pledged continued assistance in the future.

Concepcion also mentioned Singapore as another prospect especially with the recent pledge of assistance made by Prime Minister Lee Kuan Yew.

He said Singapore has indicated its willingness to buy sugar from any country that can compete with its present sources.

"We have a margin of preference because we belong to the ASEAN (Association of Southeast Asian Nations) community," he said.

Concepcion arrived in Bacolod yesterday to preside at the organizational meeting of the People's Economic Council (PEC) in the province. Governors Lacson of Negros Occidental and Jose Puey of Negros del Norte led local officials and representatives of industry, trade and allied sectors from consumers, schools, financing institutions, labor, civic, and religious and professional groups in the meeting.

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PHILIPPINES

FOREIGN BANKERS WILLING TO OFFER FORFEITING

HK081002 Manila THE MANILA EVENING POST in English 4 July 86 p 7

[By Rene Caparas]

[Text] Leading international bankers based in London are willing to provide Philippine exporters with an attractive medium-term trade financing known as "forfeiting."

Derived from the French "a Forfait," meaning to surrender or relinquish one's rights to something, forfeiting involves the discounting of bank-guaranteed trade bills or promissory notes without recourse to the exporters.

It is an attractive trade credit financing covering repayment periods of 6 months to 7 years.

In exchange for cash payment for the forfeiter, the exporter agrees to surrender claims for payment on goods or services delivered to a buyer.

This type of financing was developed 20 years ago to help finance West German exports to Eastern bloc countries and "has never been done by American Bankers."

Forfeiting is being offered by the Midland Bank Group of International Trade Services (MITS) through its affiliate subsidiary, the Midland Bank Aval Limited (MidAval).

MidAval has been conducting seminars in Metro Manila to acquaint local exporters with forfeiting

MidAval Country-Manager James S. Rogers said "this is the first time forfeiting would be introduced in the Philippines."

Rogers said the MidAval is mostly composed of European bankers. The advantages of forfeiting are:

--Immediate cash liquidity

--Relieves seller/exporter of all obligations without recourse to the exporter

- No foreign exchange and interest rate risk
- Less administrative and collection cost
- Available when other forms of finance are not
- Individual order financed, fast decisions and simple documentation
- All transactions treated confidential and allows buyer lengthy credit

Local exporters, Rogers said, may approach major commercial banks in Metro Manila to enter a forfeiting transaction.

Local exporters, Rogers said, may approach major commercial banks in Metro Manila to enter into a forfeiting transaction.

Local bankers in turn will negotiate with MidAval for processing.

Forfeiting also offers major advantages to buyers or importers over other forms of trade financing.

These are: extended repayment terms, access to major foreign currencies, competitive priced interest rates, security against fluctuations of financing cost through the fixing of interest rate from the beginning of transaction, simple documentation, and speedy approval.

Four types of debt instruments are used in forfeiting:

- Acceptance of bills of exchange by importer/buyer
- Promissory notes
- Bills of exchange drawn under a letter of credit (LC) established by importer's or buyer's bank
- Bills of exchange or promissory notes supported by a separate letter of guarantee.

The "without recourse" clause is not meant to cover deficiencies in the bill itself or misrepresentation on the part of the seller.

It only expresses the agreement of the parties involved that the seller of the bill or note should be free from any of the following liabilities:

Collection of the bills in cases of inability on the part of the acceptor; non-payment on the part of the guarantor; non-payment due to exchange control, political or economic reasons; and cases of force majeure (accident).

The MidAval buys the trade papers from the exporter at a discounted price based on a margin above the prevailing European market rates.

Since the London bankers have access to the European traders, they facilitate transactions to those who do not have the same access.

PHILIPPINES

BANKERS SAYS CURRENT BANK RUNS 'NOT SYSTEMIC'

HK080143 Quezon City NEW DAY in English 7 Jul 86 p 2

[By Noel D. De Luna]

[Text] The bank runs being felt at the moment in varying degrees are not systemic unlike the runs felt in late 1983 and 1984, bankers say.

The only problem, though, is that these runs could become systemic and thus affect other banks. What makes it all worrisome is that concerned parties seem to be unmindful of this unwritten law and the worrying is left mostly to banks affected by a run.

Dominating the scene last week was the giant United Coconut Planters Bank [UCPB] which started off the week with probably "the most exciting stockholders' meeting that will ever come in our country and that I will even attend," described UCPB's ex-chairman, Defense Minister Juan Ponce Enrile.

That was what turned out and the fun during the 4-hour meeting rivalled San Miguel Corp's and PLDT's [Philippine Long Distance Telephone] stockholders' meetings in confusion and emotional intensity, due principally to the entry of the Presidential Commission on Good Government [PCGG].

The PCGG, which took over the bank, was only happier that 4 July was a non-working holiday; otherwise, the run on UCPB could escalate as nervous depositors and irate farmer-stockholders, allied with Ma Clara Lobregat of the Federation of Coconut Planters of the Philippines (Cocofed), get their money out of the bank.

Bankers now say that next week would be critical to UCPB if the run, which reports describe anywhere from light to mild, would wane or escalate. The fact that the PCGG had announced the support of the Central Bank to meet any runs does not help either because such a statement will only come after a bank has suffered a run.

What is more serious for bankers, other than the withdrawals of individual depositors, is the perception from corporate clients of the bank who may see the new management as a weak team.

For instance, UCPB's new president and chief operating officer, Enrique Herbosa, and its new chairman and chief executive officer, Ramon Sy, were "branch bankers" and their colleagues in the banking community feel that they will take more time before they could be honed to operate a universal bank with assets of P13.92 billion.

The prevailing culture among corporate clients is that they identify the stability of a bank by its officer corps. If the perception is changed, then the corporate accounts--and these are the big accounts--also move.

As the financial system remains nervous, bankers feel the PCGG should be a little more careful in making public statements regarding bank sequestrations because it destabilizes confidence in this critical sector.

They point out the quiet sequestration done by the PCGG on Traders Royal Bank, Allied Banking Corp, Security Bank and Trust Co, Republic Planters Bank, and Philippine Bank of Communications.

Allied Bank suffered a light run when the newspapers played the sequestration up. So did Security Bank.

On the other hand, they also said bank officers should also reduce the anxiety by quietly handling the temporary situation.

The case of UCPB, though, is a special case because it involved a political structure nurtured and developed during the Marcos years. Aside from that, the rift between some Aquino Cabinet members and Enrile, who was instrumental in bringing down Marcos through a military revolt, always make good copy whether such a rift is real or imagined.

The 1.5 million coconut farmers, who presumably own the bank, represents a political force that has to be reckoned with. Enrile, a skillful politician, did a masterstroke by dissociating himself with the farmers who feel rightly or wrongly that the government denied them due process of law. The due process being invoked is that they should have been informed by the PCGG that their shares were being sequestered. But common sense tells anybody that if the PCGG sends notices of sequestration to 1.5 million farmers, its budget, placed originally at P50 million, could have been bled dried.

The PCGG, with its awesome powers, could disregard this because the Philippines is now under a revolutionary government. The underlying spirit of the PCGG is one of presumption of guilt until proven otherwise. For how long the commission can continue with this action, nobody is sure.

One thing definite is that for as long as Mrs Aquino remains in power, the PCGG remains as an institution, and despite her pronouncement of privatizing government corporations, it ends up with more corporations faster than what the Marcos government did in its 20 years.

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PHILIPPINES

FUNDS SET ASIDE TO STIMULATE DOMESTIC MARKET

HK080413 Quezon City BUSINESS DAY in English 7 Jul 86 p 3

[By Daniel C. Yu]

[Text] The government has set aside some P3 billion from the national budget for stimulating the domestic market through the support of small and medium-scale ventures.

Part of this fund will be channeled to voluntary private organizations, mainly those based in the provinces, as seed capital which they can in turn lend out to entrepreneurs in their respective areas.

Under the short-term recovery program of the government, these voluntary organizations will play an important role in mobilizing capital and labor in the rural areas for production.

Trade and Industry Minister Jose S. Concepcion Jr said over the weekend the government would like to provide funds to voluntary organizations at 3 percent interest. These groups, in turn, will relend the funds at 12 percent interest.

Concepcion said it is important that the true value of the fund be reflected in order to impress upon borrowers that the funding given is not a doleout.

He said the funds will also be used to support programs that would create jobs, one of the principle objectives of the Aquino government's economic recovery plan.

The government has already made clear that, in the absence of private capital to stimulate the market, the government will pump prime the economy through an expansionary economic program. Economic Planning Minister Solita Monsod has previously explained that this will include expenditures of government directed in the rural sector particularly in agriculture and small and medium enterprises.

Some business leaders see government efforts to stimulate the market as being in the right direction, but cautioned against any indiscriminate disbursement of funds without consideration of production output.

In particular, these businessmen have emphasized that pump priming must cover only productive ventures, including such activities as irrigation and construction projects.

They noted that in the last 3 years when the government adopted a more restrictive economic policy, numerous government projects were delayed or shelved due to the lack of capital. These projects can be reviewed, their viability ascertained and those deserving, restarted, giving priority to those that would provide the greatest net impact to the most people, businessmen explained.

Directly pump priming the market is just one step being taken by the government to stimulate economic activity. Another measure is the recently announced plan for a debt-equity swap which is aimed at reducing the country's indebtedness.

Finance Minister Jaime V. Ongpin outlined the government plan, emphasizing that participants in such a swap arrangement could invest in the country in selected preferred areas. Targeted for this program are mainly interested foreign investors who may at the moment be hesitant to enter the Philippine market with fresh capital.

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PHILIPPINES

AGRICULTURAL BANK RECEIVES \$1 MILLION EQUITY INVESTMENT

HK080137 Manila THE MANILA CHRONICLE in English 7 Jul 86 p 9

[Text] The International Finance Corporation (IFC), a subsidiary of the World Bank, has approved a P20 million (about \$1 million) equity investment in the BPI Agricultural Development Bank (BPI Agribank).

The IFC investment in the equity of the BPI Agribank, a subsidiary of the Bank of the Philippine Islands (BPI), sets a precedent in the World Bank's activities in the Philippines.

BPI President Xavier P. Loinaz, said that IFC's investment "is an unmistakable reaffirmation of IFC's confidence in the economic program of the new Aquino administration, particularly in the agricultural sector."

Loinaz explained that IFC's investment forms an integral component of BPI Agribank's capital build-up program from its current level to P100 million by the end of 1986.

Once the capital build-up program is completed, the BPI Agribank will be one of the largest private development banks in the country in terms of capital resources.

With an expanded equity base, Loinaz said, the BPI Agribank shall be in a better position to respond to the government's agricultural development requirements.

He added that BPI will continue to focus its lending assistance to the non-traditional sectors such as aquaculture, crop diversification, livestock, coffee, fruits and spices.

Most of the new loans of the BPI Agribank in 1985, its first year of operations went into aquaculture to upgrade prawn and milkfish ponds in various parts of the country. The BPI Agribank maintains a pool of credit and agricultural specialists who have the appropriate levels of academic training and on-the-job field exposure.

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CSO: 4200/1203

PHILIPPINES

PNB, DBP PLAN RESTRUCTURING SCHEMES

HK080659 Manila MANILA BULLETIN in English 7 Jul 86 p 17

[Text] The Philippine National Bank [PNB] and the Development Bank of the Philippines [DBP] expect to operate on a leaner size but stronger position once their rehabilitation programs get underway this year.

The crux of their restructuring schemes is the transfer of the whole of their non-performing loan accounts, mostly granted at the behest of the government, to a government agency still to be created that will handle their sale, liquidation of disposition.

Between the two of them, the non-performing accounts that would be taken off their portfolios amounts to more than P100 billion. With the PNB accounting for P50 billion and the DBP about P60 billion based on book value.

The transfer of these non-performing accounts would relieve the two government financial institutions of debt service on their liabilities.

Being government-behest accounts, the debt servicing of the obligations (mostly foreign) would now be borne directly by the national government, relieving the two banks of the chore of looking for funds to carry those accounts, and enabling them to concentrate on their own performing loan accounts, mostly small and medium-scale enterprises as well as agricultural projects.

Without a segregation of the non-performing accounts from their performing accounts, the two banks will require at least P17 billion this year to cover their financing gaps. This means that even with their collections from good accounts, there was no way for them to continue operating viably without government equity support.

Most of the non-performing accounts are social loan programs of the national government handled by the PNB and the DBP as well as big industrial projects whose foreign loans were guaranteed by them at the instance of the national government.

When a number of these big industrial projects got into trouble as a result of the slowdown in the economy in the last 3 years, they were not able to meet the amortization of their principal, and more often even interest, to their foreign creditors forcing the PNB and the DBP to make good on their guarantees to preserve the credit standing of the country.

When conditions in the international loan market were good in the seventies and the early eighties, a big number of projects were put up financed by foreign loans most of which were obtained more on the basis of guarantees extended by either the PNB or the DBP than careful regard of the projects' viability.

Guarantee fees then were a good source of income for the two government financial institutions.

Both the PNB and DBP, prodded by the Central Bank, which is in turn pressured by the International Monetary Fund and the World Bank to set the government financial sector in order, are hopeful they could put their respective restructuring programs underway this month.

Both of them expect to trim down the size of their asset base to about P25 billion, but all of that assets would be good and performing.

That will be a substantial reduction for the PNB whose current asset size is P76 billion. After the transfer of the non-performing accounts, PNB will be a fairly smaller bank with its capability and financial performance expected to be at par with the best performing private bank.

PNB will concentrate on small and medium scale and agricultural projects as well as servicing the commercial banking requirements of government firms, and its traditional clientele.

In the case of the DBP, its size will also be about P25 billion. Its rehabilitation scheme presupposes the retention of its good accounts as government's fresh equity.

Its lending thrusts will be reoriented to countryside development by means of agricultural and small and medium industry credit programs, as against the overwhelming concentration of its loan portfolio in large industrial projects in the past.

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CSO: 4200/1203

PHILIPPINES

CENTRAL BANK FUNDS CONCENTRATED ON GOVERNMENT

HK080409 Manila MANILA BULLETIN in English 7 Jul 86 p 18

[Text] The government sector continues to get a lion's share of total Central Bank [CB] credits and crowds out the private sector from borrowing from the CB.

Data on the CB credit portfolio for April showed that the public sector continues to be a major borrower from the CB as it availed of 77.4 percent or P74.8 billion of the total P96.6 billion credit portfolio of the CB during the period.

The private sector, on the other hand, managed to get only a 22.6 percent share or P21.8 billion of the total CB credit portfolio for the period.

Public sector borrowings from the CB were in the form of loans under the consolidated foreign borrowing program, budgetary loans to the national governments, and overdraft accommodations to government financial institutions [GFI].

Of the total P74.8 billion CB credits to the public sector as of April, the national government shared 36.4 percent of P35.2 billion or 36.3 percent and other government entities with P4.6 billion or 4.7 percent.

On an annualized basis, CB credits to the public sector increased by 22.2 percent or by P13.6 billion due mainly to provisional advances to the national government, overdraft accommodation to a GFI, loans to the government corporate sector to cover counterpart peso deposits under the \$3 billion trade facility, loans under the consolidated foreign borrowing program and loan accommodations to the Philippine Deposit Insurance Corporation to cover insured deposits of closed banks.

The bulk of private sector borrowings comprised mainly of overdraft credits.

Of the total CB credits as of end-April, the private sector accounted for 22.6 percent or P21.8 billion, a decline of P0.4 billion from the level as of the end of March this year.

The reduction in CB loans extended to private entities was due mainly to repayment of overdraft credit by commercial banks.

The CB report said that the payment of overdraft loans by commercial banks last April was reflective of the improved liquidity position of these commercial banks.

It was also gathered that outstanding loans and advances of the CB as of end-April amounted to P86.6 billion or 87.5 percent of total CB credit portfolio for the month.

The April level of CB's loans and advances was lower by about P1.4 billion from the end-March level of P86 billion.

The reduction in loans and advances of the CB last April was traced largely to repayments of some P945 million of overdraft credits by commercial banks and the national government of its loans under the consolidated foreign borrowing program.

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PHILIPPINES

WORLD BANK TO CANCEL BALANCE OF AGRICULTURE LOAN

HK090035 Quezon City BUSINESS DAY in English 8 Jul 86 p 2

[By Carol E. Espiritu]

[Text] The World Bank intends to cancel the balance of the \$150-million agricultural inputs loan that will remain unused by 31 December.

Government sources said a World Bank representative now in Manila has informed local officials that the bank does not intend to extend the use of the loan beyond 31 December. This means that the government must pay 0.75 percent in commitment charges for the unused portion of the inputs loan.

However, the same sources added that the World Bank would be willing to reimburse importations arriving up to June 1987 or 6 months after the loan's expiry, provided the purchases are made on or before 31 December.

Officials said Finance Minister Jaime Ongpin has already agreed to the revised rules on the use of the World Bank loan last 21 June which allow fertilizer imports worth \$5 million or less per contract to be procured according to commercial practice. This scraps that previous practice prescribing the holding of tenders for bidding by World Bank-approved suppliers.

The new rules were intended to allow the government to either beef up its budgetary funds from fertilizer companies' peso equities or improve the balance of payments (BOP) through direct dollar reimbursements from the World Bank.

Sources however said that to widen the extent of the World Bank reimbursement coverage, the Philippines has requested to make the rules retroactive to May or early June, the time when fertilizer companies were allowed to bid out their own imports.

If approved, this would mean a reimbursement of \$7 million representing contracts on urea made before 21 June, the date of Ongpin's conforme signature.

From 21 June to 31 December however, officials predict a potential reimbursement of \$10 million from fertilizer imports.

The balance of the World Bank loan stands at \$70 million at present.

Although officials said they are optimistic that the loan would be used entirely by yearend, this would depend on the Central Bank's determination of transactions already made by the private sector for non-fertilizer imports. The inputs loan also cover imports of other farm commodities such as machinery, soybeans, breeder stock and feedgrains.

The CB has reported that it has already processed \$50 million worth of documents to qualify for reimbursement between now and 31 December.

An official estimated that the loan balance by 31 December would be between \$20 and \$30 million unless commodities other than fertilizers are substantially documented to qualify for reimbursement.

A \$20-million balance would mean the government has to pay a commitment fee of \$150,000, while a \$30-million balance would mean a commitment fee of \$225,000.

Except for potash of which there are enough stocks to last up to yearend, urea has to be replenished by November, ammonium sulfate (ammosul) by November and 16-20-0 and triple 14 by August.

The private sector was allowed to import ammosul following the halt in the operations of producer Philippine Phosphate Fertilizer Corp (Philphos) when world prices of the fertilizer grade dropped 37 percent to 38 percent this year. In 1985, ammosul cost \$80 to \$90 per bag in the world market against this year's price of \$50 to \$55 a bag.

The revision of the World Bank rules on the loans also committed the Philippine Government to lift the ban on crop importation, in compliance with the terms of the loan calling for the liberalization of the feedgrains trade.

Agriculture and Food Deputy Minister Carlos Dominguez told BUSINESS DAY that up to a maximum of 50 percent tariff may be imposed on corn imports, the ceiling set by the International Monetary Fund (IMF) under its import liberalization package, to discourage imports.

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PHILIPPINES

COLUMNIST EXAMINES FOREIGN AID USE

HK090435 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 8 Jul 86 p 4

["Business Front" column by Hector R.R. Villanueva: "The Politics of Foreign Aid"]

[Text] Late in 1985, the Reagan administration demanded that former President Marcos undertake political reforms before remitting the balance of American foreign aid which we call rental for the use of Philippine territory.

In 1986, the same Reagan administration is using the same unremitted balance to demand this time economic reforms from President Aquino.

At first blush, the pre-conditions of the Americans smack of political intervention, big brother attitude and arrogance. To the sentimentalists, this condescending attitude of the United States is beyond comprehension and many will feel outraged at the American lack of trust and confidence in the Filipino.

On second thought, foreign aid, in any form or guise, is more politics than economics.

The more serious, smarter and more discriminating users of foreign aid and loans tend to maximize the benefits more than countries that divert foreign aid towards current expenditures.

Thus, it depends entirely on the Filipinos to identify loans and assistance that dovetail or complement national priorities. We need to reject aid that will perpetuate neo-colonialism and/or make a sucker out of Filipinos.

For instance, we should not expect Japanese assistance for purposes of starting silicon wafer fabrication, robotics and semiconductor research.

By the same token, we should also not expect FEC countries, with a huge surplus of farm products, particularly sugar, to help us directly develop competing agricultural produce.

Neither would the Americans extend assistance for the advancement of soya, corn and wheat technology.

Instead, the Japanese will extend assistance for agricultural extension projects which will not only develop a demand for Japanese agricultural capital goods but also supply farm produce required by the Japanese household, such as prawns, mushrooms, bananas, and tuna.

The Americas will send aid to get rid of their agricultural surpluses and to retain the military bases.

It is incumbent upon us to re-direct foreign aid, under pre-determined policy strategies, towards projects with multiplier potentialities and export possibilities that have been thoroughly researched.

Hence, foreign aid is politics. Economics is what you make out of it.

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PHILIPPINES

CHAMBER OF COMMERCE WANTS IMPORT CONTROLS LIFTED

HK090429 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 8 Jul 86 p 9

[Text] The Philippine Chamber of Commerce and Industry (PCCI) yesterday reiterated its proposal for a gradual lifting of import restraint because of its harmful affects on local industries and employment.

PCCI President Aurelio Periquet Jr aired the chamber's strong opposition to what it called an "almost total and hasty import liberalization" of goods in a letter to NEDA [National Economic and Development Authority] Director-General Mrs Solita Monsod.

The PCCI said several factors justify the gradual lifting of the import controls. These are:

- Low (50 percent capacity utilization of local industries because of the reduced purchasing power of the people.
- Effective rates of interest are more than double than those available to foreign competitors.
- Electricity and other utility costs at least 50 percent higher than those in neighboring countries.
- Comparatively high costs of land and sea freight.

Periquet said many manufacturers have already stopped operations because of the prevailing adverse economic conditions.

The PCCI added that the experience of many countries show that those who opened up their own markets to imported goods at the wrong time have suffered even more. He cited the cases of Chile and more recently India.

Periquet said import liberalization would most likely succeed only when investment is high and the country's economic growth is rapid.

Meanwhile, Periquet yesterday assured Taiwanese businessmen that the Philippine Government was committed to limit intervention in business to the barest minimum and to welcome foreign investments in projects high social and economic values.

Periquet gave the assurance before the joint meeting of the Philippine-Chinese Business Council in Taipei yesterday.

Attending the joint meeting were close to 200 high level businessmen from the Philippines and the Republic of China. The Philippine delegation of 70 businessmen was headed by Periquet while the Chinese delegation was led by Jeffrey L.S. Koo, president, Chinese-Philippine Business Council.

Periquet said cheap and abundant skilled and educated workers are among the advantages to investors in the Philippines.

He said the country expects to excel in the following areas of non-traditional exports: garments, semiconductors, aquamarine products, furniture and other labor-intensive products of agriculture.

Moreover, the inflation rate has fallen to an annualized rate of 2-3 percent, interest rates have fallen, the peso has strengthened vis-a-vis the U.S. dollar, capital flight and currency specualtions has been halted and adequate credit facilities have been made available by banks.

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CSO: 4200/1203

EXPERTS TO CONSULT ON BATAAN NUCLEAR PLANT

HK080815 Manila THE MANILA CHRONICLE in English 6 Jul 86 p 3

[Text] Four foreign legal and technical experts will help the Aquino Government study the nature and extent of problems resulting from the decision to scrap the Bataan Nuclear Power Plant.

The experts will be sent here by the United Nations Center on Transnational Corp (UNCTNC), which has been asked by the government to help the Nuclear Plant Study Committee headed by Presidential Spokesman Rene Saguisag.

Saguisag will leave for New York next week to confer with the UNCTNC.

The four experts coming to Manila are:

--Paul Warnke, a Washington lawyer who is a former partner of the prestigious law firm covington and Burling and former chief negotiator of the 1977-78 SALT Agreement. Warnke is now a partner of Clifford and Warnke law firm.

--Roland Brown, British, UNCTNC legal adviser and former chief legal adviser to the technical advisory group of the Commonwealth Secretariat, London. He also served as attorney general of Tanzania and is experienced in negotiations in transnational corporations and developing countries.

--Dr Hans Rudolph Keusen, Swiss, a member of the consulting firm Geotest which specializes in geology, geophysics and geotechnique. Keusen has 17 years' experience in nuclear power plants and investigations for radioactive waste disposal, neo-tectonic and earthquake studies.

--Paul Reithler.

Aside from these experts, the UNCTNC has also consulted Dr Robert Pollard, specialist on standards for nuclear plants, and Dr Maurice Rosen, of the International Atomic Energy Agency, for background data.

Samuel Asante, UNCTNC officer-in-charge, sent word to Saguisag that the agency was also trying to get a Brazilian engineer or nuclear physicist familiar with the Brazilian counterpart of the Bataan Nuclear Power Plant model.

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PHILIPPINES

GOVERNMENT TO RUSH COAL-FIRED POWER PLANT CONSTRUCTION

HK080133 Manila THE MANILA CHRONICLE in English 7 Jul 86 p 9

[By staff member Ray Enano]

[Text] The Philippine Government will rush construction of a coal-fired power plant as an alternative to the scrapped nuclear plant in Morong, Bataan, to meet projected power supply deficiencies in the coming years.

Finance Minister Jaime Ongpin said over the weekend that construction of the new plant will start in January next year so that it can be completed by late 1988 or early 1989.

The plant, according to him, could either be in Calaca, Batangas, where the National Power Corp (NPC) currently operates a 300-megawatt coal thermal plant or in Bataan itself where transmission lines erected for the nuclear plant could be utilized.

Ongpin said an alternative plant has to be constructed at an early stage to meet the growing power demand and stave off power supply disruptions.

Along with the construction of a coal-fired plant, the government would have to rehabilitate its power plants and transmission lines, Ongpin said.

Ongpin did not say how much power supply was required to meet electricity growth in the coming years, adding that "it depends on the rate of (economic) recovery." But he said the government would not promote energy-intensive industries.

Funding for the coal-fired plant is likely to be raised from the Asian Development Bank (ADB) or the Overseas Economic Cooperation Fund (OECF) of Japan, the finance minister said. Initial estimates of putting up a coal thermal plant with a capacity of 300 megawatts, roughly half of the 620 megawatt capacity of the nuclear plant, were placed at \$600 million or double the cost of the first coal plant in Calaca, Batangas.

Ongpin said it would be "politically impossible" to operate the nuclear plant now as the Cabinet had already decided to scrap it. He said the plant would be completely scrapped, pointing out that the safety issue was the main reason for the decision not to operate it.

"But if you're totally hardnosed about it and looking at the cost, it makes a lot of sense to operate the plant," he added. Ongpin said that the plant is economically viable since it already represents sunk cost. "You cannot undo it," he said.

A high demand forecast prepared by NPC showed that the power supply-demand situation would be critical by 1989 if no new plants are constructed.

Effective available capacity in the forecast was placed at constant 2,800 megawatts [MW] with demand steadily increasing from 2,358 MW in 1986, then, to 2,452 MW in 1987; 2,599 MW in 1988; and 2,755 MW in 1990. Growth rate in the economy as estimated by the National Economic Development Authority (NEDA) was at 1.5 percent in 1986; 2.5 percent, 1987; 3.5 percent, 1988; 4.0 percent, 1989; and 4.0 percent in 1990.

For the low demand forecast, demand in 1986 was placed at 2,335 MW; 2,382 MW, 1987; 2,477 MW, 1988; 2,601 MW, 1989; and 2,757 MW in 1990. Assumed GNP growths for the period were 1.0 percent, 1986; 2.0 percent, 1987; 4.0 percent, 1988; 5.0 percent, 1989; and 6.0 percent 1990.

Ongpin over the weekend reported:

--Government does not foresee any serious problem that could crop up during the negotiations with a staff mission of International Monetary Fund (IMF), except for the budget deficit level;

--The deficit level is projected at P27 billion by yearend, with the deficit kept below P11 billion as of last week;

--The inflation rate was posted at about 1 percent during the second quarter of the year, due to reductions in gas prices and the good rice harvest.

--Negotiations with the IMF by mid-July will center on the budget deficit, the tax reform package, the restructuring of government financial institutions, trade liberalization, and the reform program for coconut and sugar industries.

--A preliminary study showed that out of the total 250 government corporations, only 70 may be left. The rest will be either sold, merged or abolished.

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CSO: 4200/1203

PHILIPPINES

SUGAR COUNCIL NOTES INDUSTRY'S PROBLEMS

HK081510 Quezon City BUSINESS DAY in English 8 Jul 86 p 18

[Text] A production quota for sugar crop year 1987-88 will be in place in August under a "new system" that is considered necessary to save the ailing industry, industry sources told BUSINESS DAY.

In its recommendations submitted to President Corazon C. Aquino, the Production Quota Committee of the Sugar Industry Advisory Council--a grouping of individual planters and millers--noted several problems that pointed to the need to set a production quota for the country.

These problems are:

- The industry's production capacity is way above existing foreign and domestic market's demand (production capacity is 2.8 million metric tons, while demand is expected to reach only half of this).
- The price of sugar in the world and domestic markets is low.
- U.S. quota is declining.
- There is not enough cane supplies in some mills districts due to "geographical consideration."
- There is an imbalance of production and consumption due to the seasonal production pattern, so that price fluctuates seasonally.
- There is widespread unstable peace and order conditions in sugar plantations due to the degenerating socio-economic condition of sugar farm workers.

In solving these "problems," the sugar men said, there is a need to set a production quota to suit local production capacity.

The advantages of having a production quota include providing "a mechanism" that will secure long-term viability of the industry, the committee said.

Another advantage cited is that the quota's existence will stabilize prices.

It will also make financial problems more manageable, giving banks more confidence in financing the industry, the committee said.

And it will hasten and rationalize the produce diversification program by "properly providing planning parameters to the producers."

"In effect, this will help solve the various socio-economic problems besetting the industry," the committee said.

The quota should be set based on four criteria, the committee suggested.

—On a consumption estimate of 1.2 million metric tons for crop year 1986-87 for domestic and U.S. markets and reserve sugar.

—Quota allocation should be based on production crop year 1983-84, 1984-85 and 1985-86.

—Quota should be attached to the land.

—Quota should be reviewed by the Sugar Quota Board.

—Sources said a sugar cane farm's assigned quota starting crop year 1987-88 may still be changed in the two succeeding crop years before its final quota is established.

—They added that the estimated double revision is being adopted because "adjustments" will have to be made after the farm's actual production for the first quota year is considered against its average production for crop year 1983-84, 1984-85, and 1985-86, the basis for the farm's first assigned quota.

—Sources said very likely, many planters will be given a production quota of less than their average actual production for the three crop years. This is so because these planters "pole-vaulted" or had their cane milled in the names of others to avoid paying their loan account with the bank.

The quota may now be their 'penalty' for polevaulting, some industry sources said.

Sugar Regulatory Administration Chairman Arsenio B. Yulo said since the quota will be attached to the land, a landowner who decided to lease out his sugar cane farm will have to make his own arrangements with the leasee on the use of the quota.

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CSO: 4200/1203

PHILIPPINES

ECONOMIC INDICATOR ON SILVER PRODUCTION

HK090037 Quezon City BUSINESS DAY in English 8 Jul 86 p 2

["Economic Indicator" column: "Silver Production Rises 4.73 Percent"]

[Text] Despite the production declines recorded by the majority of the silver producing members of the Chamber of Mines of the Philippines, the total silver output for the first 3 months of 1986 rose 4.73 percent from the previous year's level, data gathered from the chamber showed.

For the 3-month period, aggregate silver output reached 13,661.590 kilograms, 617.379 kilograms higher than the 13,044.201 kilograms produced in the same period last year.

The increase was largely the result of the 2,291.518 kilograms of silver extracted by Maricalum Mining Corporation, which accounted for 16.77 percent of the total production. The company started commercial operations only last August.

Meanwhile, among the silver producing members, Lepanto Consolidated Mining Company registered the biggest increase in production—a growth of 462.572 kilograms. Lepanto, one of the largest silver producers in the country, extracted a total of 1,587.181 kilograms, 41.13 percent higher than its production of 1,124.609 kilograms last year.

Silver Production January to March 1985 and 1986 (in kilograms)

	1986	1985	Percent change
Benguet Corp (Balatoc/Dizon	2,862.673	2,850.572	0.42
Maricalum Mining Corp	2,291.518	*	-
Atlas Consolidated Mining & Develop- ment Corp (Cebu/Masbate)	2,095.411	3,251.037	(35.55)
Marcopper Mining Corp	1,748.360	1,776.390	(1.58)
Lepanto Consolidated Mining Co	1,587.181	1,124.609	41.13
Philex Mining Corp	1,390.628	1,431.491	(2.85)
North Davao Mining Corp (Amacan)	619.208	683.094	(9.35)
Benguet Exploration, Inc (Thanksgiving/Copper Shield)	501.576	583.463	(14.03)

Surigao Consolidated Mining Co, Inc	382.658	816.637	(53.14)
Apex Mining Co, Inc	116.882	142.585	(18.03)
Itogon-Suyoc Mines, Inc	60.781	46.608	30.41
Manila Ming, Inc	4.704	17.799	(73.57)
Batang Buhay Gold Mines, Inc	*	319.916	-
Total	13,661.580	13,044.201	4.73

*No production

Source: Chamber of Mines of the Philippines

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PHILIPPINES

BRIEFS

EC'S CLAUDE CHEYSSON VISITS--Manila, 19 June (PNA)--Claude Cheysson, commissioner of the delegation of the Commission of the European Communities (EC) for South-east Asia, is scheduled to visit the Philippines on 25 June. Cheysson, who handles the relations between the EC and the Association of Asian Nations (ASEAN), will also attend the post-ministerial dialogue meeting of the ASEAN in Manila. While here, he will discuss EC assistance to the Philippines with President Aquino and other members of the cabinet. He will cap his 3-day visit here with a speech before the European Chamber of Commerce of the Philippines on 27 June. Cheysson is also expected to meet members of the local and foreign media. [Text] [Manila PNA in English 0150 GMT 19 Jun 86 BK] /12232

ZAMBOANGA ATTACK ON MILITIAMEN--A group of armed men dressed in fatigue uniforms stormed a paramilitary unit detachment in San Miguel Town, killed a village official, fled with the firearms of the militiamen. The PC [Philippine Constabulary] report received in Pagadian City identified the slain barangay captain as Exequiel Otiwa. The assault was made at the detachment of the Civilian Home Defense Force in Barangay Calasig. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 3 Jul 86 HK] /12232

MARCOS WELCOME IN MOROCCO--Vice-President and Foreign Minister Salvado H. Laurel said yesterday that he has received unconfirmed reports that members of the family of deposed President Marcos have been granted asylum in Morocco, a North African Arab country. Laurel said that he has ordered the report confirmed. Laurel said that according to reports from Foreign Ministry agents, one of Marcos' daughters, who was unidentified, moved to Morocco last week and that other members of the family will soon follow. Morocco is ruled by King Hassan, a personal friend of Marcos, and has a tropical climate like the Philippines, Laurel said. "It used to be part of Spain and its culture is partly Spanish. The Marcos family can feel at home in that country like they did in Hawaii because of the climate," he said. Reports from Hawaii said the Marcos family has been increasingly dissatisfied with their asylum in Honolulu because of pressure from anti-Marcos Filipinos and the unsympathetic attitude of U.S. politicians. [Text] [Manila THE NEW PHILIPPINES DAILY EXPRESS in English 4 Jul 86 p 1 HK] /12232

ALLOCATION OF 'FREEDOM PARKS'--Rallyists and demonstrators do not have to secure permits for mass actions provided they are held within designated freedom parks. This was the assurance yesterday of Metro Manila Commission Governor Joey Lina as he instructed the officers-in-charge of the 4 cities and 13 municipalities

to choose at least one freedom park within their jurisdictions for use by activists. Lina issued the order in compliance with Batas Pambansa [BP] 880 also known as the Public Assembly Act of 1985. He said that if local officials would need more areas to accommodate protesters, they may designate other places for the purpose. Lina also gave the mayors the option to assign policemen to watch the demonstrators, provided they are stationed 100 meters away from the groups. BP 880 was drafted by a group of oppositionists and approved in the Batasang Pambansa last 22 October. The law took effect last April but its implementation was delayed because of the recent change in administration. [By Rose Caban] [Text] [Manila THE NEW PHILIPPINES DAILY EXPRESS in English 5 Jul 86 p 2 HK] /12232

CSO; 4200/1203

THAILAND

PAPERS CRITICIZE GOVERNMENT HANDLING OF PHUKET RIOTS

BK021311 [Editorial Report] Four Thai-language Bangkok dailies--NAEO NA, SIAM RAT, THAI RAT, and MATICHON--on 30 June and 1 July published editorials criticizing the government for its handling of the protests and riots against the tantalum plant project in Phuket Province, especially the transfer of the television channel 9 news division chief and the governor of Phuket in the wake of the riots.

NAEO NA's 900-word page 3 editorial on 30 June entitled "Cover Up the Sky With One's Hand" says the government's popularity has dropped critically following the burning of the tantalum plant and the Phuket Merlin Hotel in Phuket Province and has sunk even lower with the transfer of the channel 9 news division chief for his responsibility for television news reports on the protests.

"If the government thinks that a report of truth is damaging to its image and that the transfer of the television news division chief is a solution, what the government is doing is like trying to conceal the sky with its hand. The decision only reflects how unimaginative the government is," the paper says. In addition to the transfer, the government order also says that from now on television channel 9 newsmen are not allowed to interview private individuals on political issues. They can interview only government officials. "This is ridiculous. It contradicts the national policy on public relations which is aimed at encouraging the government's mass media to broaden its service of giving news and information to the people, especially to promote businesses of the private sector," the paper says, asking whether the government leader, General Prem Tinsulanon, will remain idle on this issue.

SIAM RAT's 600-word page 8 editorial on 30 June entitled "It's Time To Make a Decision" also criticizes the government for the transfer of the television channel 9 news division chief and calls on it to suspend the transfer order. The paper says the removal of the governor of Phuket Province following the tantalum plant riots is justifiable because he was unable to control the riots and prevent the destruction of property. The incident also affected Thailand's image.

The paper then discusses the viability of the tantalum industry in Thailand, saying it is the duty of this caretaker government to come out with a definite policy concerning investment in the tantalum industry. The Thailand Tantalum

Company stated that the project had not been shelved. The company will go on with it, but it will still have to consider where to set up the new plant. "If it decides to allow this kind of investment in the country, the government must guarantee that there will be no more protests. On the other hand, if it decides to scrap the project and not to allow tantalum factories to be set up, the government will have to face the problem of investment by foreign investors who may not want to risk investing in this country anymore," the paper concludes.

THAI RAT's 900-word page 3 editorial on 1 July entitled "Obstacle to Democracy" criticizes the authorities' punishment of the television news division chief for presenting the facts to the people, and recalls that a number of government mass media officials were also sacked following reports on the riots on 6 October 1976. It says such a practice is undemocratic. In a free country, the people are entitled to know what is going on and to express their views about it. "The transfer of the television channel 9 news division chief shows that the executive officials of the Mass Communications Organization of Thailand as well as government officials are still imbued with bureaucratic belief that the government mass media must serve only the government and government agencies. They want to close the eyes and the ears of the people," THAI RAT says.

MATICHON's 900-word page 6 editorial on 1 July entitled "Removal of Sanong Is Not Enough" says that the Interior Ministry's order transferring Phuket Governor Sanong Rotphothong following the riots on 23 June cannot put an end to the problem. In order to be fair to the governor, the ministry must appoint an investigation committee to probe the governor's role in the protests. This will be fair for an official who has performed his duty in service of the country. The swift transfer of the governor must be followed up by investigations and facts instead of leaving him to be one of the scapegoats in the issue.

"What happened in Phuket reflects the weakness and indecisiveness of the government and the government leader. If the government thinks that it can cover up the evil of special interest groups represented by economic and political bigshots by arresting some scapegoats to be sacrificed, then the government is living a most pitiable dream," the paper concludes.

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THAILAND

SUPREME COMMAND REPORTS ON BORDER SITUATION

BK070818 Bangkok Domestic Service in Thai 1300 GMT 6 Jul 86

[Text] The Supreme Command Information Office has reported on the border situation during the past week. On the border with Cambodia, Vietnamese soldiers and weapons were moved to the border opposite Prachin Buri and Trat provinces. The Vietnamese also planted mines in Cambodia opposite Ban Kruat District, Buriram Province. CGDK forces attacked, harassed, and sabotaged several Vietnamese positions. Fighting in Cambodia near the Thai border resulted in rounds of heavy weapons fallen in Thai territory at Pong Nam Ron District, Chanthaburi Province and Bo Rai District and Muang [central] District of Trat Province.

On the border with Laos, Lao soldiers in Champassak Province crossed into Buntharik District, Ubon Ratchathani. Lao soldiers fired into Chanuman District, Ubon Ratchathani Province on two occasions. Some Lao soldiers also crossed into Phu Rua District, Loei Province to collect information.

On the Burmese border, Burmese soldiers launched a suppression campaign against Karen rebels in an area opposite Thailand's Umphang District, Tak Province, forcing about 600 Karen villagers to flee to Thailand. They have since been pushed back to Burma.

There were three terrorist activities--two clashes with government forces in Pa Lian District, Trang Province, which resulted in two terrorists being killed and five terrorist sleeping quarters and weapons being seized and terrorist shots harassing government officials in Khuan Khanun District, Phatthalung Province. A terrorist surrendered in Surat Thani Province. Many terrorist weapons were seized in Nakhon Ratchasima.

Terrorist bandits clashed with government officials once in Yaha District, Yala Province, resulting in two of them being killed and some weapons being seized. Four terrorist bandits surrendered in Narathiwat.

Malayan Communist terrorist fired shots to harass government officials on three occasions in Betong District, Yala Province. A Malayan Communist terrorist camp was captured. It comprises 32 sleeping quarters, a tunnel, and many articles.

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THAILAND

COLUMNIST ON PREM'S, DEMOCRATS' ELECTION GOALS

BK231039 Bangkok SIAM RAT in Thai 23 Jun 86 p 8

["Half Serious" column by Thahan Kao: "One and Only Spokesman--Trairong"]

[Text] Election candidates and political parties running in the 27 July election are campaigning vigorously--some quietly and some boisterously--but they have the common goal of getting elected to Parliament in the democratic system. However, at the same time caretaker Prime Minister General Prem Tinsulanon is also campaigning for his own popularity among the people by visiting them and inquiring about their health to gain their attention so that he can return as prime minister. His visits to the people in the south generated even more news than the election campaigns of candidates and their parties. He is well received by the southerners, and they want him to return as prime minister. Candidates in southern provinces, particularly Democrat Party candidates, actively promote these visits., Democrat Party Candidate Trairong Suwanthiri, who is running in Songkhla Province, even said in his campaign speech that his party wanted Gen Prem to return as prime minister because of his experience and very good performance as prime minister.

Everyone knows that Trairong is a Democrat Party candidate and spokesman for Gen Prem. In short, he is in Gen Prem's right hip pocket, and it is normal for him to want Gen Prem to return as prime minister. But what is strange is that, while Trairong is a Democrat Party member, he supports neither his party leader, Phichai Rattakun, for prime minister nor other party members who are capable of becoming prime minister, such as deputy party leaders Chuan Likphai and Khunthong Phuphiuduan. If the Democrat Party wants a prime minister who is a former military man, it has Gen Han Linanon, who lately has not been as brave as his name implies as he was previously and thus does not have much support. M.R. Seni Pramot--a party adviser and a 3-time prime minister--is still capable of the prime minister's post despite his age. (Churchill was UK prime minister when he was 84 and performed well.) The Democrat Party overlooks all these people and regards an outsider as a better choice for prime minister. This is tantamount to regarding what is inside the rectum as more worthy than the rectum [hen khi di khwa sai].

There is nothing illegal about Gen Prem campaigning for a return to the prime minister's post while other candidates are campaigning for their seats in Parliament. But I cannot help being surprised about why he is campaigning for

prime minister among the people because they cannot give him the job no matter how much they love and cherish him. They can only dream about him making prime minister. The candidates are the ones who can make him prime minister.

Taking into account political forms, Gen Prem's plan for returning as prime minister probably goes like this: He knows that he has charisma as far as southerners are concerned, and these people are pro-Democrat. Everyone knows that, politically, he favors the Democrat Party. Therefore, his visits to the south enhance his own popularity as a candidate for prime minister as well as the Democrat Party's popularity. If the people in the south vote for Democrat candidates and the Democrat Party gains a majority in Parliament, the party will be obliged to support him as prime minister. This plan is rather clever.

However, if the people really want Gen Prem to return as prime minister they must not vote in such manner that more than 174 Democrat candidates become MP's. I am sorry to say that if more than 174 Democrats succeed, Gen Prem will not be able to return as prime minister but Democrat Party Leader Phichai will be prime minister. I do not know what Gen Prem will be if that happens because he is neither a member of the Democrat Party nor an MP. I say this because the Democrat Party leader has said while campaigning in Bangkok that he will accept the prime minister's post if his party wins more than 174 seats in Parliament, and Democrat members in other regions have agreed with this. Only Democrat candidates in the south, particularly Trairong, seem to be confident that Gen Prem will become prime minister regardless of how many seats the Democrat Party wins.

So, a hitch has arisen in the Democrat Party's election campaign strategy, and no one knows what will result. It appears that Gen Prem's chances of returning as prime minister are not as good as previously thought. Although he has been successful in capturing the hearts of the people, they alone cannot make him prime minister, as I explained earlier. Even though he has the support of the Democrat Party, there is the condition that the party must have less than 174 seats. More than that and Gen Prem will fail to return as prime minister.

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THAILAND

BRIEFS

DIPLOMATIC RELATIONS WITH MOROCCO--The Foreign Ministry today received cabinet approval for its proposal to expand the area under the responsibility of the Thai Embassy in Madrid to cover Morocco. The Foreign Ministry informed the cabinet that the geographic proximity and good relations between Spain and Morocco will help the Thai Embassy in Madrid function more effectively and conveniently in promoting and defending Thailand's interests in that country. [Excerpt] [Bangkok Domestic Service in Thai 1300 GMT 17 Jun 86 BK]/12:66

PADDY PRICE BOOST--Agriculture and Agricultural Cooperatives Minister Narong Wongwan disclosed that Prime Minister General Prem Tinsulanon had expressed his concern over the fall of paddy prices and instructed his ministry to assign the Marketing Organization for Farmers [MOF] to fan out to purchase second crop paddy from farmers. Narong said that the MOF will buy paddy from farmers at prices 10 percent higher than the market prices, for example 2,500 baht per tonnes for 5-percent paddy and less for other lower grades. In fact the MOF has also planned to intervene in the paddy market to trigger rice traders to boost prices for farmers, he said. Narong further explained that the MOF has money enough to buy paddy in 16 provinces, including Suphan Buri where farmers grow the second rice crop this year. [Text] [Bangkok Domestic Service in Thai 0530 GMT 3 Jul 86 BK]/12766

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